



# **NAVAL POSTGRADUATE SCHOOL**

**MONTEREY, CALIFORNIA**

## **THESIS**

**PROSPECTS FOR TEMPTATION IN PERSIA BY “THE GREAT  
SATAN”: UNITED STATES ENGAGEMENT WITH IRAN,  
1993–2005**

by

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**PROSPECTS FOR TEMPTATION IN PERSIA BY “THE GREAT SATAN”:  
UNITED STATES ENGAGEMENT WITH IRAN, 1993–2005**

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Submitted in partial fulfillment of the  
requirements for the degree of

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## **ABSTRACT**

The primary focus of today's foreign policy issues with Iran should be on arms control and Iran's development of nuclear weapons. Preventing this development can be accomplished only through engagement. If engagement cannot occur, it becomes even more likely that Iran will acquire nuclear weapons and a reliable ability to deploy these weapons in ballistic missiles. Iran then would no longer be restrained in its pursuit of aggressive foreign policy initiatives in the Middle East. The United States would have lost any influence it might have had with Iran.

The major questions this thesis addresses are: To what extent has the United States used positive and negative incentives toward Iran and how effective have they been in the new millennium? Assessment will be based on reviewing how the Clinton and George W. Bush administrations interacted with the Khatami and Ahmadinejad administrations.

The conclusions of this thesis will address the following questions: Are there still prospects for using positive incentives or engagement with Iran? How can these approaches be made more likely to succeed? Peace in the Middle East hinges on the United States' ability to establish stable diplomatic relations with Iran.

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I hope I have lived up to everyone's expectations. If not, maybe with time and added work throughout my career as a naval officer I will be able to surpass all expectations by those who have supported me throughout my educational years and my years as a sailor in this great country of ours.

In reference to the years, I want to especially thank my wonderful and beautiful wife, Krista. Without her by my side for the last nineteen years, I would never have realized who I could be or who I have become. Last, but not least, I want to thank my children, Zachary, Gregory and Genevieve Ducharme for all the time they sacrificed not being able to spend time with me because I was working on my graduate education and specifically this thesis in the past few years. Since I have spent so much time of their youth working on my education; I hope they will understand in the years that come, the future rewards that my education has afforded them and that my hard work inspires them to equally work hard on their own education. May they always seek out their own continuous education in life and live wonderful lives like that of what I live with them.

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# **I. PROSPECTS OF TEMPTATION IN PERSIA BY “THE GREAT SATAN”: UNITED STATES ENGAGEMENT WITH IRAN, 1993–2005**

## **A. PURPOSE**

Since the 2001 toppling of the Taliban regime in Afghanistan and the 2003 invasion of Iraq, Iran has been slowly reasserting its influence in the Middle East. This revival of Persian influence was brought about by the United States in many ways but primarily by the United States defeating Iran’s two greatest regional national security threats. Now, Iran is again in the world’s spotlight as a possible proliferator of nuclear weapons and is being threatened with more negative incentives if it does not comply with international standards. The use of negative incentives has been the United States *modus operandi* since 1979 in one form or another. These negative incentives are usually in the form of sanctions; sanctions to influence Iran into changing its policies and conforming to the standards of the international community.

The United States has primarily used negative incentives on Iran for almost three decades starting with the United States placing Iran on a list of countries that sponsor terrorism shortly after the “Iranian Hostage Crisis” of 1979. Since World War II, many American administrations have used sanctions as their primary incentive of choice against states the U.S. government views as not conforming to American and Western standards. This thesis will ask to what extent did the United States use or try to use positive and negative incentives toward Iran from 1993–2007. Secondary questions related to this are: How effective have positive incentives, if any, been in bringing about better relations between the United States and Iran? How effective have negative incentives been in bringing about better relations between the United States and Iran? Finally, should positive incentives be used unilaterally by the United States?

## **B. IMPORTANCE**

The future of the United States foreign policy door to Middle East peace is closely hinged on Iran and the ability of the United States to find a solution to antagonistic

relations with Iran. A foreign policy based primarily on negative incentives utilizing sanctions toward Iran has led to a deteriorating staircase spiraling downward in the Middle East Region. The current destabilization in the Persian Gulf around what can be considered weak states in Iraq and Afghanistan can be bolstered through greater effort and better cooperation between the United States and Iran in regional Middle East diplomacy. If it is the intention of the United States to stabilize the Middle East, in particular Iraq and Afghanistan, and promote democratic institutions to include opening the Middle East to broader economic markets, it needs to actively engage Iran in viable dialogue to rebuild the staircase up to a stabilized the Middle East.

### **C. REVIEW OF PREVIOUS RESEARCH**

A prior survey of associated works on the use of both negative and positive incentives towards Iran by the United States primarily concludes that the use of either incentive over that of the other one has not brought Iran into the fold of world globalization and economic stability. Iran is still considered to be a pugnacious state, which predominately focuses its hostilities toward the United States, Israel and the West, although to a lesser extent toward Europe and Japan. The concept of using positive incentives is not a new concept nor is the use of negative incentives. These two forms of incentive are more commonly referred to as “carrots” and “sticks,” respectively.

The United State’s pursuit of a foreign policy strategy of negative incentives toward Iran since the 1979 Hostage Crisis and the Iranian Revolution has contributed significantly to further destabilizing the Middle East region. These negative incentives commenced with the freezing of all Iranian assets in the months following the taking of the American Embassy personnel hostage and United Nations approved sanctions, developing later into the Dual Containment policy set by the Clinton Administration in the late 1990s. Dual Containment was then followed by the Iranian-Libyan Sanctions Act (ILSA) of 1996.<sup>1</sup> Hossein Alikhani in his book *Sanctioning Iran: Anatomy of a Failed Policy* catalogues all of the various negative incentives used since the Iranian

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<sup>1</sup> ILSA was then shortened to the Iranian Sanctions Act (ISA) because Libya was taken off of the list for giving up their pursuit of nuclear weapons.

revolution until 2000. He concluded that the United States primary pursuit of negative unilateral incentives did not work in bringing Iran to international standards and that it appears to just have given Iran's hardliners justification to maintain their seething hate of America.<sup>2</sup>

Europe, on the other hand, tried intensely to bring about change with Iran in the late 1990s with its foreign policy initiative of "Critical Dialogue" with Iran. Critical Dialogue was based primarily on the use of positive incentives primarily in the form of economic trade with Iran. By rewarding Iran up front with trade agreements for being a good citizen in our world economy, Europeans tried to encourage Iran to halt its aggressive and hostile foreign policy initiatives toward their Arab neighbors and the rest of the world. Europe's plan was to develop strong economic ties between Europeans and Iranians in the hope that doing so would curtail Iran's aggression in the Middle East. This was obviously counter to the United States uses of negative incentives in the form of sanctions. In itself, the European foreign policy of "Critical Dialogue" and its use of positive incentives alone did not work and is arguably a failure because it was counter to the United States Containment policy.<sup>3</sup> The American and the European foreign policies toward Iran were contradictory to each other resulting in essence to a zero sum game.

## **1. Major Debates About and/or Approaches to the Issue**

The largest continuing debate concerning foreign policy toward Iran by the United States is that of whether or not to increase the use of negative incentives. Many scholars, especially advisors to the former George W. Bush administration, felt that negative incentives were the best framework to use and work with in dealing with Iran. Obviously, American unilateral sanctions by themselves have not necessarily had the influence sought. Iran has been under one form of sanctions after another for the better

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<sup>2</sup> Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy*. (London; New York: I.B. Tauris, 2000); Ali Ansari, *Confronting Iran : The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006); Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004).

<sup>3</sup> Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment after the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 83–84; Kenneth Pollack, *The Persian Puzzle: The Conflict between Iran and America*. 1st ed. (New York: Random House, 2004), 295–297.

part of thirty years. An alternate framework that the United States could try would be to ask: what form of positive incentives in conjunction with weaker negative incentives could the United States use to develop better diplomatic and economic relations with Iran?

A subset of what type of incentive to use with Iran by the United States is that of the United States pursuit of regime change in Iran. The issue has been debated by many in academia and in political office. This issue is not only fundamental to the basis of past foreign policy issues but is a major obstacle for diplomatic relations for either side to get past when the two countries try to sit down and talk. This very issue of regime change became a focal point that eventually led to the breakdown of the “Geneva Six” talks that occurred during Operation Enduring Freedom in which both countries sat down and shared information and plans in Geneva, Switzerland.<sup>4</sup>

The primary focus of today’s foreign policy issues with Iran should be that of arms control and Iran’s development of nuclear weapons. This can only be done through engagement. If engagement cannot occur it has been contended by many that Iran will acquire nuclear weapons and a reliable ability to deploy these weapons in ballistic missiles. Iran then would no longer be restrained in its pursuit of aggressive foreign policy initiatives in the Middle East.

## **2. Survey of Prior Work on the Question**

The three primary works that will be used as the framework on the use of positive incentives and how they work are that of *Honey and Vinegar*, *The Politics of Positive Incentives in Arms Control* and *Threats and Promises*. These three books specifically discuss the issues involved with the use of positive incentives and many of the arguments are applicable to current policy issues between the United States and Iran. One major hypothesis is positive incentives can allow states to cooperate with each other over issues through the sharing of information or technology while recognizing each other’s security needs. The sharing of nuclear information or nuclear technology between the United

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<sup>4</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict between Iran and America*. 1st ed. (New York: Random House, 2004), 346–350.

States and Iran could lead to a more stable region. A second hypothesis is that by combining positive and negative incentives these states may be able to work through a series of steps in order to safeguard each other's security.<sup>5</sup>

The use of negative incentives alone is difficult, if not impossible, to use in today's globalized economy. The days of a polarized world are in the past and the concerns that bonded Cold War allies together prior to the Soviet Union's dissolution are not as strong today. The United States does not have the same influence it did with other Westernized states in a nonpolarized world. The ability of the United States to modify, if not change, regime behavior can be greatly enhanced through the balanced use of positive and negative incentives. A hypothesis from *Threats and Promises* is that the motivation of a state to modify its behavior is through the desire to avoid a loss. The avoidance of this loss is therefore seen as a positive reference by the state leaving that state intact or in power. This hypothesis would work to the benefit of United States foreign policy. The United States would not have to develop a state's economic or political framework all over again from the bottom up like it has been doing for several years now in Iraq and Afghanistan.<sup>6</sup>

Other important works that specifically address the Iran case are *Sanctioning Iran: Anatomy of a Failed Policy*, *The Persian Puzzle : The Conflict Between Iran and America*, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Conflict in the Middle East* and *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. These four works form the reference base for the thesis with respect to Iranian and United States foreign policy and the history between the two countries.

### **3. Major Questions and Argument**

The major questions this thesis addresses are to what extent has the U.S. used positive and negative incentives toward Iran and how effective have they been?

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<sup>5</sup> Thomas Bernauer and Dieter Ruloff, *The Politics of Positive Incentives in Arms Control*. (Columbia, S.C: University of South Carolina Press, 1999); James W. Davis. *Threats and Promises: The Pursuit of International Influence*. (Baltimore: Johns Hopkins University Press, 2000); Richard Haass and Meghan L. O'Sullivan, *Honey and Vinegar: Incentives, Sanctions, and Foreign Policy*. (Washington, D.C: Brookings Institution Press, 2000).

<sup>6</sup> "Six plus two' group stresses need for broad-based Afghan government," UN News, May 27, 2008, <http://www.un.org/apps/news/story.asp?NewsID=2116&Cr=Afghan&Cr1=>; James W. Davis. *Threats and Promises: The Pursuit of International Influence*. (Baltimore: Johns Hopkins University Press, 2000).



Assessment will be based on reviewing how the Clinton and George W. Bush administrations interacted with the Khatami and Ahmadinejad administrations. How successful were the attempts on the use of positive incentives? What were the reasons that they failed or what were the reasons that they succeeded? How do my conclusions correspond with the findings of existing literature on incentives? To what extent do my conclusions suggest new or modified findings?

The conclusions of this thesis will address the following questions: Are there still prospects for using positive incentives or engagement with Iran? How can these approaches be made more likely to succeed?

## **D. METHODOLOGY AND SOURCES**

### **1. Case Study**

This thesis will reach conclusions based on the comparative analysis of three interrelated cases. The case studies to be referenced for this thesis are to be those of foreign policies utilizing negative and positive incentives between the United States presidential administrations and the Iranian presidential administrations from 1993–2007. Separate chapters review relations between the Clinton administration and the Khatami administration, the George W. Bush administration and Khatami administration, and the George W. Bush administration during the Ahmadinejad administration. The case studies summarize the utilization of negative and positive incentives during two United States presidential administrations overlapping with two Iranian presidential administrations and seek to determine to what extent the use of negative and positive incentives contributed to the improvement of state relations between the United States and Iran. This thesis is not an all inclusive study of all positive and negative incentives used between the United States and Iran during the years from 1993–2007, but this study provides a good basis from which positive incentives can be tested in their practicality in recent foreign relations between the United States and Iran.<sup>7</sup>

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<sup>7</sup> Stephen Van Evera, *Guide to Methods for Students of Political Science*. (Ithaca: Cornell University Press, 1997).

## **II. A BRIEF HISTORY OF U.S.-IRANIAN RELATIONS**

Iranian foreign relations with the west go back centuries but U.S. relations with Iran go back less than one hundred years. The United States did not play a major role in Iranian foreign affairs until World War II. The United States initial relationship with Iran was one of supplying Russia with desperately needed supplies through the Iranian countryside. After World War II, the United States became more and more involved over a relatively short period of time with Iranian foreign and domestic affairs. The initial negative catalyst was the overthrow of the Iranian prime minister in the 1950s, followed by the reinstallation and support of the Peacock throne through the 1970s. U.S.-Iran relations have been especially strained since the violent overthrow of the Peacock throne by the Ayatollah Khomeini and the Iranian revolution.

A consistent theme that is seen in the history of U.S.-Iranian foreign affairs since World War II is that these two countries are inexplicably tied to each other when it comes to maintaining a peaceful status quo in the Middle East. As with other countries throughout the world, Iranian domestic and foreign affairs will always be influenced by the West, if not directly by the United States itself. The United States consistent involvement into Iranian foreign affairs will continue far into the future and the outside influences of the west upon Iranian domestic politics as well as their international politics will be constant. The history of Iran has been shaped by outside influences going back centuries.

### **A. ORIGINS OF THE PEACOCK THRONE**

The Safavid Empire (1501–1722) started like most Middle Eastern empires of its day with a collection of tribes. These tribes were from the various areas of modern day northwestern Iran and the common tie that bonded these tribes besides location was that

of Islam. Initially, it was a form of Sunni Islam that had blended in with local tribal customs and mysticism. Over time, this form of Islam evolved into Sufism.<sup>8</sup>

The first Shah (King of Kings) of Iran was Isma'il in 1501. After a successful conquest of the city of Tabriz, he established the Safavid dynasty. It was during his reign that the Ottoman Empire and the Safavid Empire first engaged in war against each other. It was also during this war that the gunpowder Army of the Ottomans were able to easily crush the Safavids, allowing for Ottoman domination of the entire Anatolia peninsula. Ironically, Isma'il's defeat by the Ottomans did not destroy what he and the rest of the Safavids had built. It was also during Isma'il's reign that Twelver Shi'ism became the state religion of Iran. The number twelve denotes the twelve divinely inspired Imams (teachers/leaders) of Islam. Isma'il forced masses of people for several generations to convert to Shia Islam, but not all Muslims were converted, and some were able to stay Sunni Muslims. The establishment of Shia Islam during his reign allowed Isma'il to claim for himself and his descendents divine rule through the seventh Imam.<sup>9</sup>

A later and notable successor to Isma'il was Shah Abbas I, who developed an elite military corps similar to that of the Ottoman Janissary. This elite military corps was known as the Ghlam and was primarily comprised of Christian slaves that had been captured in various wars throughout the Caucasus. Abbas consolidated all of the land of the old landowning elite in to his own private estate in order to maintain his large standing army capable of staving off the Ottoman Empire. After a couple of centuries of relative peace under Safavid rule, the dynasty came to an end in 1722 due to the exorbitant cost of trying maintain a modern large standing army. It was during the latter years of the downfall of the Safavid dynasty that the ulama, a body of Islamic scholars, would be able to consolidate some of their power over the Shia in the former Safavid dynasty. As the ulama built their influence over the Anatolian peninsula, they decentralized the power of the Shah.<sup>10</sup>

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<sup>8</sup> William L. Cleveland, *A History of the Modern Middle East*. 2nd ed. (Boulder, Co: Westview Press, 1999), 53–55.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

After the period of decentralization, a new dynasty was established in 1794 by Fath Ali Shah, a Turkish tribal chieftain; his dynasty became known as the Qajar dynasty. The period in between the Safavid and the Qajar Dynasty is distinguished in Iranian domestic affairs in that the Shahs of the Qajar Dynasty were no longer seen as having divine rule and that the power of Shi'ism would be preserved and maintained with the ulama. The most infamous Shah in foreign affairs during the Qajar dynasty was that of Nasir al-Din, who led his country into economic ruin through a great series of concessions to western European countries.<sup>11</sup>

The two states receiving the majority and the most significant concessions in Iran were Great Britain and Russia. After the assassination of Nasir al-Din, his son became the next Shah, but his son's time as Shah was limited with the rise of Middle East constitutionalism. Most Iranians, seeing what was happening in Turkey with the Young Turks, were looking for a form of government that would be controlled less by outside influences and more for the good of the people than for that of a supreme ruler.<sup>12</sup>

The turn of the century found three primary groups emerging for control of Iran: the ulama looking to reduce the powers of a centralized government, the bazarri merchants siding closely with the clerics, and the reformists who were the Western-educated elite. By 1906, the Iranians were able to draft and ratify a constitution but became bogged down with belligerent debates over the interpretation of the constitution ending up in a civil war with a group of royalists looking to reinstate the Shah's power and authority. The civil war became so out of control that it resulted in the Russians and the British securing their spheres of influence with troop deployments up through World War I.<sup>13</sup>

After World War I, the Russians withdrew their troops to support their Bolshevik revolution. The British sought to extend their sphere but were stopped by the rise of a

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<sup>11</sup> William L. Cleveland, *A History of the Modern Middle East* 2nd ed. (Boulder, Co: Westview Press, 1999), 110–117.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid., 143–148.

young Cossack brigade Colonel named Reza Khan who took control in Tehran, installed his own politicians, and manipulated the Majlis into deposing the Qajar Dynasty and crowning him Shah by 1926.<sup>14</sup>

Shah Reza Khan wanted to replicate many of the institutions and reforms that Kemal Ataturk instilled in Turkey during the turn of the century. He implemented these reforms in a similar fashion as Ataturk implemented his, by forced acceptance. Reza Khan was successfully able to reduce the ulama's influence in Iranian domestic politics and was able to establish many Westernized institutions through brutal oppression of tribal chieftains and the confiscations of wealthy landholders' properties. He tried to stave off foreign influence but was unsuccessful in gaining more control of the Anglo-Iranian Oil Company from the British. Eventually, Reza Shah tried to counterbalance the British influence with that of the Germans. He sought German expertise to help Iran modernize its infrastructure. When World War II broke out, the Allies were very suspicious of Iran's intentions even though it declared its neutrality. Both the Soviets and the British invaded Iran in order to preserve a valuable corridor between the two allies. The Shah was forced to leave the country and died while he was in South Africa, leaving his son as the last and only possible heir to his reestablished Peacock Throne.<sup>15</sup>

During World War II, the Peacock Throne was set aside by the British and the Russians so supply routes could be maintained and positively controlled between the United States, Great Britain and the Soviet Union. This Iranian corridor became strategically important to the Soviets since the primary supply route across the Atlantic was severely degraded by German U-boat attacks. The Soviets were able to receive up to a third of all their supplies from the Persian Gulf to the Caspian Sea using the newly built transnational Iranian railroad, which was paradoxically built by the Germans.<sup>16</sup> In order for the Allies to effectively use the railroad system, they needed to take full control of the country for the duration of the war. It was during this time that the Majlis and various

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<sup>14</sup> William L. Cleveland, *A History of the Modern Middle East* 2nd ed. (Boulder, Co: Westview Press, 1999), 185–191.

<sup>15</sup> Ibid.

<sup>16</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 37–39.

ministers were able to usurp power back from the Shah and run the country more like a constitutional monarchy instead of an absolute monarchy.<sup>17</sup>

The post-war years mainly revolved around the withdrawal of the occupying forces. The Soviets were hesitant to do so because Stalin wanted a group of states with communist friendly regimes to act as a buffer between the Soviet Union and the rest of the world. Stalin believed that one of the best ways to do this was through a prolonged occupation of Iran and a slow withdrawal. This can be seen in the numerous actions he took in Northern Iran, where he established Soviet-style school systems, exported Marxist and Stalinist propagandists into Iran and stirred up the minority populations of the country.<sup>18</sup> Eventually, the Soviets did withdraw in 1946 after being seriously pressured by the United States and through diplomatic negotiating with Iranian nationals. Shortly after the Soviet withdrawal, Iran faced its next foreign affairs crisis with the Anglo-Iranian Oil Company (AIOC). The oil nationalization crisis concluded with the British being forced out of Iran and with Iran nationalizing their oil industry. The United States being sympathetic toward its wartime ally, the British, then found itself taking part in a coup against Iran's first democratically elected leader, Mohammad Mossaddeq. This is probably the first significant occurrence in which the United States found itself deep within Iranian domestic and foreign affairs.<sup>19</sup>

## **B. OPERATION AJAX**

The major event that can be seen as the first and greatest influence on American-Iranian relations occurred in the early 1950s. This period of time, between 1951 and 1953, can be seen as the twentieth century Iranian interregnum. In this period, there was a mix of fledgling ideologies of democracy, nationalism and communism circulating throughout Iranian society. It was during this time that the Western-educated nationalist

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<sup>17</sup> William L. Cleveland, *A History of the Modern Middle East* 2nd ed. (Boulder, Co: Westview Press, 1999) 185-191; Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 37-39.

<sup>18</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict between Iran and America*. 1st ed. (New York: Random House, 2004), 44.

<sup>19</sup> *Ibid.*, 50-57.

Mohammed Mossaddeq stepped forward in a vain attempt to unite these ideas as the democratically elected Prime Minister of Iran. He attempted to consolidate his power in the Majlis but eventually through a series of miscalculations he lost it all.

While he was Prime Minister, he nationalized Iran's only natural resource, oil, which had been siphoned off by the British for decades. His reasoning for taking control of the British controlled oil company was that the British gave little back to the Iranian people working the oil fields resulting in thousands if not millions of Iranian people living in squalor like shanty towns throughout Iran. Oil, being the lucrative commodity it was and still is, was basically being given away by Iranians to the British through massive concessions by the previous ruling monarchies of the Qajar Dynasty and by Shah Reza Pahlavi. In response to the Iranian nationalization of the oil fields, the British cut off Iranian oil access to the world market.<sup>20</sup>

In addition to blocking Iranian oil from the world market, the British began to undermine Mossaddeq's political base by orchestrating communist political demonstrations and general unrest in the major urban areas of Iran. The combination of these demonstrations and the country's economy plummeting led the United States to believe that in order to stabilize Iran it needed to reinstall the Shah back onto the throne of Iran as quickly as possible. The United States felt that if they did not act quickly, the Soviet Union would capitalize on the chaotic political situation. Secretary of State Dulles personally felt that the Soviets would move to install a government through the use of the Tudeh (communist) party and gain control over Iran's oil fields and its warm water seaports.<sup>21</sup> Many people in Iranian society, especially those in the clergy, the middle class and the merchants, were fearful of the Soviet Union and their past experiences with Russian and communist influences, so most switched political affiliations out of the Tudeh party. This led the way for the United States to subversively intervene in Iranian

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<sup>20</sup> Ali Gheissari and Seyyed Vali Reza Nasr, *Democracy in Iran: History and the Quest for Liberty*. (Oxford; New York: Oxford University Press, 2006), 53.

<sup>21</sup> Mark J. Gasiorowski and Malcolm Byrne, *Mohammad Mossaddeq and the 1953 Coup in Iran. Modern Intellectual and Political History of the Middle East*. 1st ed. (Syracuse, N.Y: Syracuse University Press, 2004), 73.

domestic politics.<sup>22</sup> Operation Ajax was planned and ready to execute by June 1953. Efforts by the United State's Central Intelligence Agency (CIA), along with Great Britain's intelligence agency, MI6, to topple Mossaddeq's government had been gaining momentum over the previous six months, but their operation, code named Ajax, now came into full swing. The British gained the support of General Zahedi and the Americans gained the support of the Shah and of Ayatollah Kashani. The CIA opened up new newspapers in Iran in opposition to Mossaddeq and by the end of the operation had control of four fifths of Tehran's newspapers. It was also during this time that the American newly elected President, Eisenhower, notified Mossaddeq that the United States would not provide Iran with the economic assistance they had been looking for since the British Iranian oil embargo.<sup>23</sup>

Feeling estranged more and more within his own government after the loss of several key political supporters, Mossaddeq began associating with the Tudeh party openly. Additionally, he felt that he was about to lose all influence within the Majlis, thus, Mossaddeq tried to dissolve parliament through an unconstitutional popular referendum. In the end, the referendum succeeded and the Majlis was dissolved. In response to this alarming action, the United States felt compelled to have the CIA act.<sup>24</sup>

The CIA in August of 1953 convinced the Shah to issue a series of royal decrees that deposed Mossaddeq and replaced him with the more Western thinking General Zahedi. By mid-August, General Zahedi, based on those decrees, tried to arrest Mossaddeq but failed because Mossaddeq had become aware of the coup. General Zahedi instead almost found himself arrested, but he and his followers escaped. Realizing the coup attempt had been spoiled, the Shah and General Zahedi fled to Baghdad. Tehran was now in the midst of a political upheaval where confusion was the norm. The

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<sup>22</sup> Mark J. Gasiorowski and Malcolm Byrne, *Mohammad Mossaddeq and the 1953 Coup in Iran. Modern Intellectual and Political History of the Middle East*. 1st ed. (Syracuse, N.Y: Syracuse University Press, 2004), 73.

<sup>23</sup> Ali Gheissari and Seyyed Vali Reza Nasr, *Democracy in Iran: History and the Quest for Liberty*. (Oxford; New York: Oxford University Press, 2006), 52–55; Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 60–71.

<sup>24</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 44.



morning after Mossaddeq's attempted arrest the CIA proceeded as planned with sponsored protests, comprised of troops loyal to the Shah and faithful followers of Ayatollah Kashani against Mossaddeq. The protest had a major impact domestically and internationally and after it was all over, Mossaddeq found himself arrested and the authoritarian Shah was back on his throne, thanks to the covert effort of the United States and its Central Intelligence Agency.<sup>25</sup>

### **C. SUPPORT OF THE SHAH OF IRAN, SHAH MOHAMMED REZA PAHLAVI**

Once the Shah had returned to Iran, he began to reconstitute his political base. He quickly reinstated the landowning class as the majority within the Majlis through blatantly rigged elections, and then a couple of years after his so-called victorious return, he replaced General Zahedi with prime ministers that were more supportive of the monarchy.<sup>26</sup>

In 1957, Mohammed Reza realized that if he wanted to stay in power and better understand the forces working against him he needed a loyal security force. In what can be seen as one of the first uses by the United States of a positive incentive to get Iran to cooperate with American Cold War policy against the Soviet Union, the Shah turned toward the United States who had helped him regain his throne. At the Shah's request, the United States sent Colonel Stephan J. Meade, from the CIA, to help the Shah organize, recruit and train a modern intelligence service. Even though the United States

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<sup>25</sup> Mostafa Elm, *Oil, Power, and Principle: Iran's Oil Nationalization and Its Aftermath. Contemporary Issues in the Middle East*. 1st pbk. ed. (Syracuse, N.Y: Syracuse University Press, 1994), 75; Mark J. Gasiorowski and Malcolm Byrne, *Mohammad Mossaddeq and the 1953 Coup in Iran. Modern Intellectual and Political History of the Middle East*. 1st ed. (Syracuse, N.Y: Syracuse University Press, 2004), 73; Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 43; Ali Gheissari and Seyyed Vali Reza Nasr, *Democracy in Iran: History and the Quest for Liberty*. (Oxford; New York: Oxford University Press, 2006), 44; Stephen Kinzer, *All the Shah's Men: An American Coup and the Roots of Middle East Terror*. (Hoboken, N.J: J. Wiley & Sons, 2003), 67.

<sup>26</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict between Iran and America*. 1st ed. (New York: Random House, 2004), 74.

wanted this new organization to focus on the Soviet threat, it primarily focused on internal forces looking to counter the Shah and his dictatorial rule.<sup>27</sup>

Thus, in 1957, the National Intelligence and Security Organization, better known to Iranians as the Sazman-i Ittila'at va Amniyat-i Kishvar (SAVAK), became the Shah's primary information source for decisions made internally and externally. Over the course of the next few decades, the United States would provide over \$610 million in economic and military aid effectively uniting the Shah's regime to the United States.<sup>28</sup> This use of selling military hardware became a form of mutual security exchange between both countries. By sharing military technology and information, the United States was able to gain Iran's security interests, as well as their own security interests in the Middle East. The Shah would become a regional power with American military power and the United States would be able hold off the Soviet sphere of influence in the Cold War.

Another attempt to use positive incentives by the United States with Iran was the Baghdad Pact in order to reinforce each other's security needs. Iran signed the Baghdad Pact in 1955 and, thus, acquired more military aid from the United States. This treaty was comprised of Great Britain, Iraq, Turkey and Iran with the United States; later after Iraq pulled out of the treaty, it became known as Central Treaty Organization (CENTO), or the right flank of the North Atlantic Treaty Organization (NATO). During the Eisenhower administration, foreign relations and security interests between the United States and Iran's Shah were primarily focused around the Cold War, ensuring that Iran did not fall into the Soviet sphere of influence as a satellite state. If keeping Iran out of the hands of the Soviets meant massive military aid, the United States would deliver to the Shah almost all the arms he requested. The Eisenhower doctrine of military support to all states that felt threatened by armed takeover by another country was "to secure and protect the territorial integrity and political independence of such nations, requesting such aid against overt armed aggression from any nation."<sup>29</sup> The use of the Eisenhower

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<sup>27</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict between Iran and America*. 1st ed. (New York: Random House, 2004), 74.

<sup>28</sup> Ibid., 74–75.

<sup>29</sup> The Eisenhower Doctrine, 1957. Available from <http://www.state.gov/r/pa/ho/time/lw/82548.htm> (accessed 11/22/2009).

doctrine of course failed to bring about economic change for Iran and eventually exacerbated strains in the Iranian economy.<sup>30</sup> The introduction of Iran into CENTO by the United States can also be seen as a positive use of incentives creating a mutual security exchange for both states.

The 1960s saw a slight change in American-Iranian relations. The Kennedy administration wanted Iran to develop its economic infrastructure and implement social change and political reforms. The Kennedy administration additionally decided to use a series of steps corresponding to various positive incentives in order to bring about change in Iranian affairs. The domestic situation inside Iran had not improved much since the end of World War II, so President Kennedy had a special task force formed. The bottom line conclusion for the task force was that a new reformist government was needed. This task force was to be administered by Dr. Ali Amini, who had been the Minister of Finance under Mossadeq and the Ambassador to the United States while Kennedy was a Senator. It was under Amini's administration that Kennedy used more positive incentives in steps to spur specific economic and social reforms to safeguard each others security needs. These social and economic reforms were eventually transformed into what became known as the Shah's White Revolution.<sup>31</sup>

The Shah tried to build upon the foundation of land reforms that Amini had set in place with his "White Revolution" but his revolution became more of a conversion back to what he wanted as a status quo. Iran thus defected in part from the United States to fulfill their security needs. During this time the Shah in a bid to leverage a balance of power between the Soviet Union and the United States began talking to the Soviet Union and pledged an agreement to the Soviets not to allow any "foreign nuclear missiles" on Iranian soil in September of 1962. This was a negative incentive applied by the Shah as a coercive positioning strategy to get the United States to commit more military and economic aid to Iran like it had done under the Eisenhower Doctrine.<sup>32</sup>

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<sup>30</sup> The Eisenhower Doctrine, 1957. Available from <http://www.state.gov/r/pa/ho/time/lw/82548.htm> (accessed 11/22/2009), 76.

<sup>31</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 80–81.

<sup>32</sup> *Ibid.*, 85–92.

When the Johnson administration took office, they saw the Shah as one of “three pillars” that would uphold peace and security in the Middle East along with Iraq and Saudi Arabia. Iran was to play a pivotal role in America’s Middle East foreign policy. As one of those pillars, Johnson encouraged the Shah to use his SAVAK to maintain a tight control of internal grumblings. Over the course of the Johnson administration, Iran became less dependent on the United States and American aid. A dominant reason for the decline in Iran’s dependency on the United States was that oil prices were rising; Iran was also able to secure more profitable oil shares and, therefore, created a greater monetary flow into Iran. On the other hand, the United States deficit during the Johnson administration had grown significantly with funding the Vietnam War. By the end of the Johnson administration, the Shah had weaned Iran off of American aid and placed the blame for all foreign policy issues on the United States as a way to distract Iranians from internal domestic issues.<sup>33</sup>

The major Iranian complaint during this time with the United States was that of a Status of Forces Agreement (SOFA) that the United States tried to get signed with Iran. This agreement between two countries on the legal disposition of its military members appeared to many in the Majlis to be similar to the agreement the Qajars signed with the British a century earlier. It was ultimately not ratified by the Majlis. The Ulama also complained about a \$200 million dollar American bank loan to buy American weapons. This loan combined with the SOFA appeared to many to be a “selling [of] Iran’s sovereignty”<sup>34</sup> just like what the Qajars had done over a century ago. The dominant voice over these issues came from the clerical class over what they saw as American extraterritorial claims in Iran.<sup>35</sup>

The 1960s was a decade where the United States actually saw a steep decline in American influence in Iran because of Iran’s strong economic growth and the Shah’s willingness to seek foreign relations away from the United States. When most Americans

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<sup>33</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 93–97.

<sup>34</sup> *Ibid.*, 93.

<sup>35</sup> *Ibid.*

think about Iran and the United States in the 1970s, they think about sky-rocketing oil prices and the Iranian Hostage Crisis. This decade without a doubt can be seen as the decade in which the tide of American relations with Iran turned extremely negative and to this day has not risen again in a more favorable direction.<sup>36</sup>

A lot of changes occurred internationally in the Middle East Region. One notable event was that in 1968, the British withdrew all their forces east of the Suez Canal. This led to the United States needing to fill a vacuum of power left behind by that of the British.

It was also during the 1970s that Nixon implemented his Nixon doctrine in which the United States would support regional proxies throughout the world in order to maintain at a minimum the status quo, if not turn the tide in American favor against the Soviets.<sup>37</sup>

Nixon saw Iran as the main regional proxy that could support his doctrine, but because Iran was not an Arab state, the United States used both Saudi Arabia and Iran as the “twin pillars” to Middle East regional stability. Both Nixon and Kissinger saw the Shah and Iran as a “good pawn” on the world chess board in a battle between two great superpowers.<sup>38</sup>

#### **D. THE SHAH’S LAST STAND**

A critical point in relations between the Nixon administration and the Shah was when Nixon and Kissinger stopped in Tehran and offered American military supplies as a form of a positive incentive to the Shah on the condition that he agree to support the Nixon doctrine of defending their neighbors and maintain the status quo in Western interests. The Shah accepted and, thus, Iranian and the American security interests were

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<sup>36</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 55-70; Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 102–140.

<sup>37</sup> Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 160; Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 102–103.

<sup>38</sup> Ibid.

yet again being met regionally and internationally. Iran would be the second pillar used by the Nixon administration with Saudi Arabia as the other pillar to secure the Middle East against Soviet Communism. American foreign policy and Iranian foreign policy would be secure in the Middle East with Saudi Arabia in the west and Iran in the east.<sup>39</sup>

This new security policy over time led the Shah to believe that he was becoming the regional hegemon of the Middle East. Iran's foreign policy became closely aligned with that of the United States, but this closeness was only if Iran felt that was in Iran's interest to do so. The largest divergence in American and Iranian interest during the Nixon administration was when the Shah sought to change the status quo in his favor with the Algiers accord of 1975, which was designed to settle border disputes between Iran and Iraq.<sup>40</sup>

A couple of years earlier, the Shah convinced Nixon to support the Kurds in Iraq to fight for their independence. Covertly through the CIA, Nixon sent millions of dollars to Iran and the Kurds. This support, although stopped shortly after the Algiers Accord, was signed. In addition to defining their borders, the Shah sold out his support for the Kurds in Northern Iraq to Saddam Hussein, after which the Iraqi army crushed the Kurds in their decades long bid to become an independent state.<sup>41</sup>

The 1970s was additionally the same decade that there was a marked increase in the price of oil throughout the world. This was due in part to a series of wars in the early part of the 1970s in the Middle East and because prices for oil were driven up by the consortium known as the Organization of the Petroleum Exporting Countries (OPEC). Iran was a charter member of this organization and, over a series of gatherings of these states, the Shah was able to convince his fellow rentier states to raise prices on oil over 276 percent. In essence, the Shah had hoped that OPEC would develop a world monopoly on oil. If OPEC could control the price of oil economically in the world, then Iran would once and for all be able to stand independently as possibly the regional hegemon. The

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<sup>39</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 102.

<sup>40</sup> Ibid., 106.

<sup>41</sup> Ibid.

mid 1970s will always be known for its long lines at the gas station because of OPEC. The only counter balance to American relations during this decade was that of the Shah's newly found wealth that was used to buy American made hardware, primarily military equipment from America's great military industrial complex. Since Nixon told the Shah that he was welcome to purchase anything he wanted in America's military arsenal, he indulged himself into weaponized inebriation. The major driving force in American-Iranian relations during the mid-seventies was that of the Shah and his ability to purchase what he wanted, including nuclear power. In 1975, Kissinger completed a multi-billion dollar deal with Iran to build eight 1200 megawatt light water nuclear reactors to be completed by 1981.<sup>42</sup>

After Nixon's scandalous departure from American politics, the Ford Administration worked the White House for a brief period of time. The United States signed an agreement under the Ford administration with Iran to build a nuclear reprocessing facility to extract plutonium for what would become Iran's spent nuclear fuel.<sup>43</sup> The agreement to build nuclear power facilities would have had far-reaching implications in terms of Middle East proliferation. At the time, no other state in the Middle East had nuclear power. The election of Jimmy Carter and his administration in 1976 would lead to the last American president to offer positive incentives and diplomatic relations.

The Shah visited the United States as a welcomed guest during the Carter presidency and this hospitality was reciprocated by the Shah to President Carter in Tehran. The Carters did not fully realize the magnitude of the internal strife in Iran when they had visited in 1978. In a public speech to show Iranians that the United States supported Iran and the Shah in Tehran, President Carter praised the Shah for making Iran an "island of stability in a turbulent corner of the world." The following day the

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<sup>42</sup> Dafna Linzer, "Past arguments don't square with current Iran policy," Washington Post, 2005, <http://www.washingtonpost.com/wp-dyn/articles/A3983-2005Mar26.html> (accessed 6/7/2008); Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 109.

<sup>43</sup> Abbas Kadhimi, "The Future of Nuclear Weapons in the Middle East," *The Nonproliferation Review* 13, no. 3 (2006), <http://dx.doi.org/10.1080/10736700601071686>.

Ayatollah Khomeini published in the Iran mainstream paper, *Ettela'at*, an article extremely critical of the United States and the Shah. It is believed that this article led to anti-regime riots in major cities throughout Iran.<sup>44</sup>

After Carter's visit, a series of events transpired in Iran commencing with the establishment of martial law in Isfahan in August of 1978, followed by martial law in Tehran that September. Finally, in January of 1979, after a number of demonstrations throughout Iran peaking in the killing of many demonstrators on what is labeled by Iranians as "Black Friday," the Shah's power took a serious downturn. "Black Friday" culminated with massive demonstrations against the Shah during the Muslim holy month of Muharram. It was immediately after "Black Friday" that the Shah fled Iran, never to return.<sup>45</sup>

#### **E. IRANIAN REVOLUTION OF 1979**

Ayatollah Khomeini, as he had promised in November 1978, returned to Iran from exile in France in January 1979 after the Shah had fled. Khomeini began reassembling his power base almost immediately to form an Islamic Republic. The overthrow of the Pahlavi dynasty was complete by February and the new Islamic Republic was proclaimed to the world in April. The United States admitted its old and faithful friend, the Shah, into the country for medical treatment. Iran demanded that he be returned to Iran immediately to face trial for crimes against the people of Iran but the United States refused. After receiving appropriate medical care in the United States, he eventually found refuge in Egypt where he died of cancer in July of 1980.<sup>46</sup>

There were many internal debates on how to deal with the Iranians within the Carter Administration during the Iranian Revolution. National Security Advisor, Zbigniew Brzezinski, and many others, felt that the Iranian military needed to conduct a military coup. Others in the State Department like Ambassador Sullivan and Secretary of

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<sup>44</sup> Ali Gheissari and Seyyed Vali Reza Nasr, *Democracy in Iran: History and the Quest for Liberty*. (Oxford; New York: Oxford University Press, 2006), xiii.

<sup>45</sup> Ibid., xiv.

<sup>46</sup> Ibid.



State, Vance, felt that the United States should throw their support behind the liberals. The Iranian military, however, was depleting itself from within with mass desertions as every month went by without action. Many within the officer corps began talking to the opposition and those that did not were imprisoned.<sup>47</sup>

In February 1979, the American embassy in Iran was attacked and taken over by Marxist students, but the takeover of the embassy was immediately denounced by the Ayatollah Khomeini. The embassy and its personnel were restored shortly after a counter-attack by students loyal to the Ayatollah forced the Marxists out of the embassy. Then, in November, a group of Islamists loyal to the ideas of the Ayatollah and his revolution against the United States and the Shah attacked the embassy again. It is this attack, the second attack, on the American embassy in Tehran that most Americans remember because 52 members of the embassy's staff were taken hostage for 444 days.<sup>48</sup>

Two primary differences in the takeovers of the embassy are that of who and when. The first time the embassy was taken over it was done by Marxists; the second time it was by Islamist students. This allowed the Ayatollah to be able to support his faction over that of the Marxists. Secondly, the Islamist takeover of the embassy was done after the United States had admitted the Shah into the United States for medical treatment because he was dying of cancer. This is how the Ayatollah was able to dominate the revolution over his Marxist rivals; if they did something the Islamists would do one notch better. What was not recognized by most Americans was that the revolution was not as unified as it appeared. The Islamists were not able to consolidate their power until after the American hostages were freed. The Marxists were constantly vying for control of the revolution only to be bested by the Islamists at every initiative they proposed.<sup>49</sup>

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<sup>47</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 132.

<sup>48</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 72; Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 153–160.

<sup>49</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 153–162; Vali Nasr, "The Shia Revival," *Military Review* 87, no. 3 (2007), <http://proquest.umi.com/pqdweb?did=1288673351&Fmt=7&clientId=65345&RQT=309&VName=PQD>.

The primary motive and justification for the takeover of the embassy was that many people in Iran either rightly or wrongly believed that the United States was planning another coup in their country like they had done in 1953. They felt that the coup would undoubtedly be launched and based out of the United States embassy in Tehran. As an alternative explanation, Pollack argues strongly that it was primarily revenge that motivated the embassy takeover.<sup>50</sup>

Many within the Carter Administration wanted to use a variety of negative incentives to persuade the Iranians to free the embassy hostages. Most of their proposals would have used the military punitively, as well as used the military as a coercive instrument of diplomacy. At first, Carter was not willing to use military force because of his fear that the Iranians would harm or kill the hostages in the embassy. Instead, Carter used his leverage in the world arena in order to try to free the hostages with dozens of heads of states calling for the release of the American hostages.<sup>51</sup>

While Ayatollah Khomeini was trying to orchestrate and finalize his vision of an Islamic republic, the Carter Administration was planning a unilateral military rescue of the hostages. The mission, code named Operation Eagle Claw, was extremely difficult to pull off and in the end failed. The failed hostage rescue became a political fiasco for the Carter administration ultimately contributing to his reelection defeat. The hostages were held for 444 days only being released the minute President Reagan completed his oath of office during the presidential inauguration in January 1981. The release of the hostages by Iran at this moment can be seen as Iran possibly reaching out to the United States in the form of a positive incentive in order offer a truce. This would not be understood by most Americans because of their intense anger with everything that had occurred over the past two years. <sup>52</sup>

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<sup>50</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 153–162.

<sup>51</sup> Ibid.

<sup>52</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 168–169; Ali Gheissari and Seyyed Vali Reza Nasr, *Democracy in Iran: History and the Quest for Liberty* (Oxford; New York: Oxford University Press, 2006), xiv.

## **F. NEGATIVE INCENTIVES; A NEW ERA IN IRANIAN-AMERICAN RELATIONS**

American foreign affairs with Iran took a position on the back burner for a couple of years after the Iranian revolution and while the Iranians became increasingly occupied with the Iran-Iraq war. The next time Iran would find itself involved in international relations with the United States, it would be in another country, Lebanon. U.S. Marines were sent in to help monitor a cease fire between the Israelis and various factions in Lebanon. The position that the United States took with its Marines was not necessarily seen by most in Lebanon as even handed. The Marines were supporting the Lebanese Army, who were mostly Christian. The Marines in conjunction with their Christian Lebanese Army counterparts would call in fire support from American warships in the Mediterranean against Muslim strong holds supported by the Hezbollah and the Druze. Eventually, a suicide bomber believed to be a Hezbollah operative drove a truck bomb into the Marine Corp barracks in Beirut, killing 241 Marines. Without doubt, the Hezbollah were being supported by Iran with weapons, funding and advisors.<sup>53</sup> It is believed by many that the Iranian-supported Hezbollah operating in Lebanon were directly responsible for the terrorist bombing, even though Hezbollah have never taken credit for the suicide attack.<sup>54</sup> The United States eventually withdrew from Lebanon in part because of the Marine Corp barracks bombing. After the Marine withdrawal, many in the Middle East and especially in Iran viewed America's withdrawal from Lebanon like its withdrawal from Vietnam as a sign of American weakness. The United States had already begun to develop a great antipathy for Iran during the hostage crisis, but it was from this point on to this day that America sharpened its focus on Iran and all that it would do in the arena of regional Middle East politics. America would seek to counter

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<sup>53</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 102–105.

<sup>54</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 102–105; Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 202–205.

everything it could of Iran's ambitions and its containment would become crucial to the national security of the all countries in the Middle East.<sup>55</sup>

The first issue on the United States' agenda was Iran's designation by the State Department as a state sponsor of terrorism. This designation was primarily assigned shortly after the October 1983 bombing of the Marine Corps barracks in Beirut.<sup>56</sup> President Reagan would identify Iran as one of five countries ruled by "outlaw governments" in what would begin as a standing demonization of Iran in American politics.<sup>57</sup> What was obviously noted during this time was that Iraq, who sponsored attacks against Iran by Iranian dissidents, was not designated as a sponsor of terrorism. Iran plainly saw this in what Litwak terms a definite "tilt towards Iraq in its war with Iran."<sup>58</sup> Of particular note, was that during the Iran-Iraq War the United States did not condemn Iraq for its use of chemical weapons against Iran. In a significant use of negative incentives towards Iran, the United States launched "Operation Staunch," which basically denied United States military hardware from being sold to Iran. This operation, however, was separate from the covert operation that was being conducted by the National Security Council and Colonel Oliver North.<sup>59</sup>

The next major blunder that the United States delved into with Iran was that of the Iran-Contra affair in which Washington tried to procure the release of various American hostages primarily in the Levant by giving and selling American missile systems to the Iranians. The background of the Iran-Contra affair is long and convoluted. It basically all started with Shia extremists trying to violently shift foreign affairs throughout the Middle East in their favor through kidnapping and ransom. Many of the hostages were taken over a period of years throughout Lebanon by Hezbollah units supported by the

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<sup>55</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 202–205.

<sup>56</sup> Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 161.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> Ibid.

Pasdaran (Iran's Revolutionary Guards). Some of these hostages found their way to Iran and were tortured and killed. This led some in the United States to believe that Iran was ultimately behind all Middle East terrorist acts. These hostage situations culminated in the hijacking of TWA flight 847 that was ultimately flying to New York.<sup>60</sup>

For two weeks, Secretary of State Shultz refused to negotiate with the Hezbollah terrorists on flight 847, even after they killed an American sailor throwing his body on to the tarmac at Beirut airport. Iranian President Rafsanjani, seeing that the situation was shedding a bad light on Iran and possibly could lead to harsher reactions by the international community toward Iran, convinced the Ayatollah Khomeini to pressure the Hezbollah terrorists to end their hostage situation. Eventually, all of the hostages were released without further violence. After flight 847, obtaining the release of all American hostages became a top priority for the Reagan administration. So, when Israeli foreign minister, David Kimche, approached then National Security Advisor Robert McFarlane about a possible deal to sell arms to Iran through a middleman, in order to secure the release of the rest of the American hostages, McFarlane was open to discussion. After working out some international shipping requirements through Israel, the weapons for hostages affair began and continued for the better part of a year and a half. The deals became very intricate in that there were different branches of middlemen to deal with, ultimately confusing the exchange. American weapons were being sent and received in Iran, but the hostages were not necessarily being released. A couple of hostages were released, but the Iranians wanted more weapons. After a few exchanges, resulting in a couple of more hostages being taken and more weapon shipments being sent, a small newsmagazine broke the weapons for hostages deal wide open when McFarlane went to visit Tehran.<sup>61</sup>

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<sup>60</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004); Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000).

<sup>61</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 210–215; Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 111.

The Iran-Contra affair, as it has become known, can be seen as a misguided use of quasi-positive incentives by the United States with Iran in that the Iranians reached out to the United States because their war against Iraq was not going well. Iran's American-made equipment needed repairs and more specifically the Iranians needed military systems that could counter Iraq tanks that were literally driving over Iranian frontlines. The Ayatollah Khomeini was willing to make a deal with the "Great Satan" in order to uphold his holy war of martyrdom against Iraqi Sunni hordes. For the United States, the Iran-Contra Affair seriously damaged American foreign policy objectives in the Middle East for years to come. This underhanded deal, led by a few, ultimately ended in a great embarrassment to all in the United States and Iran.<sup>62</sup>

After Iran-Contra, Iranian foreign policy next collided with American foreign policy in Operation Earnest Will and Operation Praying Mantis in 1987. During Operation Earnest Will, America re-flagged various tankers and escorted them through the Persian Gulf. It was during these two operations that Iran discovered that it could not directly confront the American Navy, so it developed its own form of an at-sea guerilla warfare in which Iranian Revolutionary Guards on small boats would harass, seize, board and attack shipping throughout the Persian Gulf. Iran and others began to see the United States aligning itself with Iraq, with the *Economist* in September 1987 suggesting that "the Americans are now getting uncomfortably close to fighting Iraq's war for it."<sup>63</sup> The United Nations also filed a resolution during this time imposing further sanctions "against the party (Iran) refusing to accept ceasefire terms in the war." Following up on the UN sanctions, President Reagan imposed further negative incentives banning all Iranian imports to the United States with ironically oil being an exception.<sup>64</sup>

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<sup>62</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 108–112; Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 99; Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 208–219.

<sup>63</sup> Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 162.

<sup>64</sup> Ibid..

It was during one of Iran's at-sea guerilla attacks that the USS Vincennes shot down an Iranian Airbus flying out of Bandr Abbas (dual purpose civil-military airbase) mistaking the Airbus passenger plane for an Iranian F-14 fighter and killing 290 innocent Iranians. This tragic international event was the culminating event that convinced and led Iran to sue for peace with Iraq over their seven-year war because many within the Islamic Republic believed that the United States was entering the Iran-Iraq War on the side of the Iraqis. The shooting down of the Airbus also convinced many pragmatic minds in the Iran that the United States was truly the "Great Satan" that the Ayatollah Khomeini always told them. Normal people throughout Iran and the Middle East still to this day believe that the United States intentionally shot down the Airbus.<sup>65</sup>

The final years of the Iran-Iraq War saw the United States provide support to both sides. It was providing military intelligence to the Iraqis first, and then it began to provide similar intelligence to the Iranians at their request as during the Iran-Contra Affair. As addressed, the United States also provided military weapons and upgraded technology to the Iranians. Eventually, though Iran was convinced to sign a cease fire with Iraq because of its failing economic situation, the devastating attacks Iran incurred by Saddam Hussein's use of chemical weapons and many Iranians' belief that the United States was ultimately on Iraq's side with the shooting down of the Iranian pilgrims.

Iranian political scientist, Shahram Chubin, noted soon after Iran agreed to peace terms with Iraq, the Iranian Mullahs were quick to use the American shooting down of an Iranian Airbus as a "moral cover of martyrdom and suffering in the face of unjust superior force."<sup>66</sup>

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<sup>65</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 112-115; Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 162.

<sup>66</sup> Shahram Chubin, "The Last Phase of the Iran-Iraq War: From Stalemate to Ceasefire," *Third World Quarterly* 11, no.2 (April 1989), 13; Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 162-163.

## **G. CURRENT NATURE OF UNITED STATES POLICY**

United States foreign policy with Iran after the end of the Iran-Iraq War began to change. The conservatives in Iran had their hard line position crushed and Iranian President Rafsanjani looked to commence economic reform and to bring Iran out of international isolation. Iran was looking to reestablish past economic ties to the west with the pragmatists in power. One of the first ways that Rafsanjani tried to use positive incentives to rework Iran's relationship with the United States was by intervening and obtaining the release of American hostages still being held in Lebanon.<sup>67</sup>

Europe on the other hand tried intensely to bring about change with Iran using only positive incentives in the late 1990s with its foreign policy initiative of "critical dialogue" with Iran. This dialogue was based primarily on the use of economic trade as the positive incentive with Iran. The European dialogue was counter to the United States use of unilateral sanctions. By rewarding Iran up front with trade agreements, Europeans hoped Iran would halt its aggressive and hostile foreign policy initiatives toward its Arab neighbors and the west. Europe would bring Iran into the international community through developing strong economic ties between Europeans and Iranians. In itself, the European foreign policy of "critical dialogue" and its use of positive incentives alone did not work entirely but their dialogue was used effectively in various diplomatic situations to a more or less specific degree.<sup>68</sup>

United States foreign policy history with Iran can be seen as a roller coaster ride in the twentieth century with steady climbing high apexes and speedy spiraling downward descents. One presidential administration after another has had to deal with Iranian foreign policy whether it sought to handle Iranian foreign policy issues or not. The most successful of the past presidents was that of the Kennedy administration and its ability to influence change in a positive way with Iran sowing the seeds that led to the Shah's "White revolution." All other presidential administrations had either mediocre or

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<sup>67</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 131.

<sup>68</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 264–270.



disastrous results. The worst being that of the Eisenhower administration with its blatant coup to reinstall the Shah back to power and that of the Carter administration's failure to recognize the deteriorating domestic situation in Iran during the last days of the Peacock throne. United States presidential administrations since the Iranian revolution have only at best been able to pursue a Cold War foreign policy developed for use against the Soviet Union, the policy of containment. The United States has tried to rally the international community against Iran using whatever multilateral leverage it could muster, but typically the United States would end up resorting to unilateral sanctions. The Clinton and the Bush administrations had the opportunity to change the status quo that has been maintained now in the Middle East for over a quarter of a century, but neither administration saw that this opportunity hinged itself on the ability to have Iran figure into a peace for Middle East. The following chapters will discuss the Clinton and Bush administrations and the various negative and positive incentives used by those administrations with Iran. Each chapter will discuss also internal debates within their respective administrations.

### **III. THE CLINTON ADMINISTRATION'S USE OF INCENTIVES**

There were various internal debates that occurred during Clinton's first term in office associated within Iran. The primary goal of foreign policy toward Iran was initially that of Comprehensive Containment and the use of unilateral sanctions and extraterritorial third party sanctions. Two camps were evident during the Clinton administration, those that expected the use of positive incentives to bring about the election of the Iranian pragmatists to office and those that expected the United States use of negative incentives in the form of unilateral sanctions and its extraterritorial applications to isolate Iran from the United States and its Western allies. The internal debate broke down to another level over the use of targeted sanctions versus the use of comprehensive sanctions both unilaterally and multilaterally. Of special note are the opportunities that the Clinton administration had to use positive incentives and negative incentives with Iran. What was the ability of either the Iranian or the American administrations ability to use those incentives and what appear to be the successes and failures of those incentives?<sup>69</sup>

#### **A. UNITED STATES INTERNAL DEBATES**

Internal debates in the United States during the Clinton administration changed during the course of his two terms in office. When President Clinton was elected, his administration did not want to fall into a foreign policy pitfall where the situation in the Middle East region would degrade. Their goal was to maintain the status quo, if not improve and alleviate the region's overall tensions. They initially maintained a similar policy of general political animosity toward Iran, a carry over from the previous senior Bush Administration. In an initial display of possible negative incentives, in Clinton's first term he even stepped up this animosity. He did this even though National Security

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<sup>69</sup> Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 105–108.

Advisor Anthony Lake warned the new administration that they should stay far away from Iranian rhetoric so as not to risk a foreign policy embarrassment.<sup>70</sup>

The Clinton administration's initial policy objective was not regime change, but the administration did want to "normalize" relations with Iran once it changed its own external policy initiatives. The primary focus of the debates within the Clinton administration concerning foreign policy toward Iran was that of an imbalance between Iranian containment and Iraqi containment. The administration wanted to ensure a balance of multilateral sanctions between both Saddam Hussein's Iraq and Ayatollah Khomeini's Iran with the "Dual Containment" policy.<sup>71</sup>

The National Security Council was the primary initiator of the use of "dual containment" but the State Department declined to use the same or similar wording. Dual containment became the official policy of the Clinton administration after National Security Advisor Anthony Lake published the administration's ideas concerning "dual containment" in the spring 1994 issue of *Foreign Affairs*. In an effort to demonstrate and emphasize to Iran the Clinton administration position that they were not looking to instill regime change Lake referenced Samuel Huntington's famous "Clash of Civilizations" article, stating that "The American quarrel with Iran should not be construed as a 'clash of civilizations' or opposition to Iran as a theocratic state. Washington does not take issue with the 'Islamic' dimension of the Islamic Republic of Iran."<sup>72</sup> This statement alone should have sent a clear message that the Clinton Administration was not looking for regime change in Iran.

Lake's article on the "dual containment" policy spurred continued debate outside the executive branch by Middle East political scientists. Political scientist Gregory Gause wrote in a later article that the Clinton administration's pursuit of dual containment could draw both Iraq and Iran closer together in that they would band

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<sup>70</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 259–265.

<sup>71</sup> Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 258.

<sup>72</sup> Anthony Lake, "Confronting backlash states," *Foreign Affairs* 73, no. 2 (1994), <http://proquest.umi.com/pqdweb?did=415108&Fmt=7&clientId=65345&RQT=309&VName=PQD>.

together toward a common enemy. He explained that one state cannot be contained without the cooperation of the other state. Finally, Gause discussed using positive incentives by initiating dialogue between Washington and Tehran because at the time Iran posed less of a threat to the United States national security than did Iraq and Iranian cooperation would be necessary in order bring about regime change in Iraq.<sup>73</sup>

## **B. OPPORTUNITIES FOR USE OF POSITIVE INCENTIVES AND EXTENT TO WHICH THEY WERE USED**

The Clinton administration tried to use positive incentives to a limited extent toward Iran with Executive Order 12959 on 6 May 1995.<sup>74</sup> This order allowed for agricultural commodities of feed grains, rice, and wheat to be exported to Iran until 2 February 1996.<sup>75</sup> This executive order was beneficial to both countries and was considered to be positive for the United States and for Iran in that it allowed American farmers, who were struggling to sell their surplus, an avenue to a previously closed market, and it allowed Iran to purchase deeply needed commodities for its people. Agriculture Secretary Dan Glickman stated that “as a general rule, [food and medicine] should not be used as a tool for foreign policy, except in extraordinary cases.”<sup>76</sup> In addition to the executive order being signed, future trade of these commodities would be permitted and future unilateral sanctions would not include food commodities or medical equipment.

One month later, in June of 1995, “The United States was encouraged by the G7 states... that ‘constructive engagement’ would be a more satisfactory way of dealing with Tehran.” In addition, “The final statement at the G7 summit that was held in Halifax,

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<sup>73</sup> Gregory F. Gause III, “The illogic of dual containment,” *Foreign Affairs* 73, no. 2 (1994), <http://proquest.umi.com/pqdweb?did=415109&Fmt=7&clientId=65345&RQT=309&VName=PQD>; Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 61.

<sup>74</sup> Iranian Trade Organization, “Executive Order – 12959,” <http://www.iraniantrade.org/12959.htm> (accessed 5/24/2008).

<sup>75</sup> Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (London; New York: I.B. Tauris, 2000), 207–209.

<sup>76</sup> *Ibid.*, 208.

Canada called on Iran ‘to participate constructively in regional and world affairs.’”<sup>77</sup> This was a clear sign that the international community, overall, was looking for an impasse to the long drought of foreign relations between the United States and Iran and for both engage in some form of dialogue.

The Clinton administration, realizing that the unilateral sanctions it imposed in 1995 were not having the effect it wanted with Iran, decided to use a different approach, a small but positive gesture toward Iran. “On 7 December 1998, President Clinton removed Iran from the list [of major illicit drug-producing or drug-transit countries] and lifted the sanctions imposed under the Foreign Assistance Act of 1961.”<sup>78</sup> The reason this is considered a gesture and is not seen as a positive incentive is that for Iran the lifting of these sanctions did not have any tangible significance to the state of Iran itself because the same prohibitions still existed under other sanctions imposed against the state of Iran.<sup>79</sup>

What can be seen as a missed opportunity for the Clinton administration to use positive incentives toward Iran is a deal with the United States based Continental Oil and Transportation Company (CONOCO) that Iran had awarded. In March of 1995, the Clinton administration pressured CONOCO to withdraw from the Iranian oil deal on the development of the Sirri-A and Sirri-E oil fields in the Persian Gulf. On 13 July 1995, the French oil company Total seized on the open opportunity and signed the U.S. \$600 million contract for the development of the fields.<sup>80</sup> This was obviously a great missed opportunity for the United States to give Iran a positive incentive to rework its issues towards the United States and a great opportunity to have a major contract awarded to an American corporation.<sup>81</sup>

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<sup>77</sup> Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (London; New York: I.B. Tauris, 2000), 288.

<sup>78</sup> Ibid., 207.

<sup>79</sup> Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 191-192; Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (London; New York: I.B. Tauris, 2000), 207.

<sup>80</sup> Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (London; New York: I.B. Tauris, 2000), 289.

<sup>81</sup> Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 170-177.

### **C. THE USE OF NEGATIVE INCENTIVES AND THE EVALUATION OF THOSE INCENTIVES**

The largest use of negative incentives against Iran by the United States during the Clinton administration came in the same year that the CONOCO oil deal was severed, 1995, in the form of the proposal of Senator D'Amato (R-NY) known as the Iran and Libya Sanctions Act (ILSA). This act was developed predominantly to deter Iran from the use and development of weapons of mass destruction and to a similar extent to deter Iran and Libya from supporting terrorist organizations. The starting point for the development of negative incentives toward Iran in 1995 and the catalyst for ILSA was President Clinton's two executive orders (EO) in March and May of 1995. EO 12959 was discussed in the previous section as a positive incentive to a limited extent but this executive order was predominantly negative in nature. EO 12959 banned all U.S. trade with and investment with Iran. EO 12957 was the executive order primarily aimed at CONOCO in which it banned U.S. investments in Iran's energy sector.<sup>82</sup>

In a probable reaction to these two executive orders and as a work around to the United States negative incentives, Iran reopened its energy sector to foreign investment, which had been closed since the Iranian revolution of 1979. Here, Iran was using its own means of negative incentives in a passive way to entice U.S. allies into investing in Iran against American interests.

The United States' failure to convince its allies to support its policy on Iran was compounded by the refusal of the world community as a whole to back sanctions, and an invitation extended by Tehran to about 100 European and Asian companies to participate in discussions on investing in energy projects worth US\$6.5 billion.<sup>83</sup>

In an effort to warn the Clinton administration about enacting the ILSA, John Gannon, who was the CIA Deputy Director for Intelligence during the Clinton

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<sup>82</sup> Iranian Trade Organization, "Executive Order – 12959," <http://www.iraniantrade.org/12959.htm> (accessed 5/24/2008); Iranian Trade Organization, "Executive Order – 12957," <http://www.iraniantrade.org/12957.htm> (accessed 5/24/2008); Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (London; New York: I.B. Tauris, 2000), 194–195.

<sup>83</sup> Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (London; New York: I.B. Tauris, 2000), 289.

Administration, stated, “that in the long term sanctions would have little impact on the Iranian economy, and that Iran would maintain its oil sales because it uses sophisticated marketing tactics and because crude oil is of good quality.”<sup>84</sup>

John Gannon also in his report to the Clinton administration stated that “the ban [on Iran] would not stop major new development projects or prevent maintenance or repairs.”<sup>85</sup> The ban would however damage smaller independent projects and would adversely affect the developing Iranian small business market. The ban would also almost certainly raise the prices for oil in the world. As a side note in his report in order to refute those who favored ILSA in the belief that Iran relied heavily on American goods, Gannon stated that “even a strong growth in US exports to Iran in the 1990’s reflected only an Iranian preference for, not a dependence on, US goods.”<sup>86</sup> Gannon’s report reiterated that many of our western European counterparts “argue that engagement, not isolation, of Iran offers the best hope of moderating Tehran’s behavior.”<sup>87</sup>

Despite Gannon’s report, the Iran-Libya Sanctions Act was set into place at the end of 1995 with the primary purpose to dissuade if not stop the acquisition of weapons of mass destruction. Beside Gannon’s report, there were many other warnings during the Clinton administration that predicted that unilateral sanctions being imposed by the United States on Iran or directly imposed on companies of trading partners would solidify a closer bond of our Asian and European trading partners with Iran.<sup>88</sup> Many in the European community argued that the U.S. had no basis in international law:

to claim the right to regulate in any way [a] transaction taking place outside the U.S. This hegemonic way of unilaterally attempting to impose policies on third parties disturbs international trade and investment relations and depreciates the standing of internationally accepted [norms]

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<sup>84</sup> Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (London; New York: I.B. Tauris, 2000), 292.

<sup>85</sup> Ibid.

<sup>86</sup> Ibid.

<sup>87</sup> Ibid.

<sup>88</sup> Ibid.

for any such measures.” (Letter from Hugo Paeman and Ferdinando Salleo to Senator D’Amato, 25 January 1996).<sup>89</sup>

The ironic issue with ILSA is that Iran is closer than it was in 1995 to developing its nuclear weapons capability to the point where it is now a headline in international news regularly. Along a similar line of irony is that the beginning excerpt of the ILSA begins with the congressional findings that “the effort of the Government of Iran to acquire weapons of mass destruction and the means to deliver them and its support of acts of international terrorism endanger the national security and the foreign policy interests of the United States and those countries with which the United States share common strategic and foreign policy objectives” (Iran and Libyan Sanctions Act of 1996, Section 2(1) ).<sup>90</sup> The irony in the latter statement being the phrase “share common strategic and foreign policy objectives.” The United States in the eyes of most people in the Middle East has only really taken into consideration the strategic and foreign policy objectives of the United States and the state of Israel.

It can be concluded that the negative incentives used in ILSA had little or no effect on Iran and its development of weapons of mass destruction and its support of terrorist based groups. The well-known Palestinian group, Hamas, is now the dominant political party in the Gaza region of Palestine and threatens all peace negotiations with the state of Israel, and also, the Lebanese based Hezbollah asserted its politically strong base when its actions provoked Israel in 2006 into a major military operation in Lebanon with the Israelis looking like the losers in that conflict because of the well-supported Hezbollah.

The Clinton administration’s two terms in office demonstrated more of a propensity to use negative incentives than positive incentives. Clinton’s modest gestures of positive incentives were overwhelmed by the canceling of the CONOCO deal and the

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<sup>89</sup> Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (London; New York: I.B. Tauris, 2000), 297; Robert Litwak, *Rogue States and U.S. Foreign Policy: Containment After the Cold War*. (Washington, D.C.; Baltimore: Woodrow Wilson Center Press; Distributed by the Johns Hopkins University Press, 2000), 85.

<sup>90</sup> Hossein Alikhani, *Sanctioning Iran: Anatomy of a Failed Policy* (London; New York: I.B. Tauris, 2000), 314.



establishment of the Iran and Libya Sanctions Act, and these two actions only drove American business with Iran to other Western countries. The foreign policy decisions made by the Clinton administration also created ripples of angst toward the United States for being overbearing in its use of negative incentives toward our Western partners with secondary sanctions against companies that did business with Iran.

## **IV. KHATAMI AND THE BUSH ADMINISTRATION**

The internal debates that occurred within the George W. Bush administration reflected widely divergent views. The State Department was in one camp while the advisors to the oval office were in a different camp, and as expected, they initially conflicted with each other as to a foreign policy approach with Iran. Bush's first term as president was one in which his whole foreign policy focus was on the Global War on Terrorism, after September 11, 2001. The Bush administration failed to recognize its opportunities to use positive incentives with Iran. Two unique opportunities developed with Iranian foreign policy that could have altered the past thirty years of U.S.—Iranian foreign policy with the United States. Those opportunities dissipated largely because of the strongly held views Bush's advisors had on the Global War on Terrorism and as a result of the War in Iraq. An especially significant opportunity that transpired at the end of major combat operations in the Iraq War was simply squandered away for as yet unknown published reasons.

The single largest destructive use of a negative gesture toward Iran post-September 11, 2001, occurred in what is now Bush's infamous State of Union address in 2002 in which he labeled Iran as one of three countries including Iraq and North Korea as an "axis of evil." This simple speech has held out and lingered in the minds of Iranians to this day and has tainted any further discourse between Iran and the United States.

### **A. INTERNAL U.S. DEBATES**

Many people expected that the George W. Bush administration would initially take a more pragmatic approach with Iran, since the president chose Dick Cheney to be his Vice President and Colin Powell as the Secretary of State. This is because Dick Cheney, as chairman of Halliburton, gave a speech in 1996 stating that the use of

negative incentives would be “self-defeating” in dealing with Iranian foreign policy.<sup>91</sup> Those within foreign policy circles interpreted this as a sign that the Bush administration might be more practical in its policies toward Iran. This, however, would not be the case. The Bush administration had seen what the previous administration had tried to achieve with a semi-pragmatic approach with Iran and was leery of trying to pursue a similar policy. Bush’s foreign policy advisors recommended a cautious approach toward Iranian foreign affairs and recommended that Bush initially pursue a continuation of the policy of containment, a policy that had begun many years ago and been maintained by almost all administrations since the 1979 revolution.<sup>92</sup>

Many neo-conservatives like Richard Perle, Paul Wolfowitz and others within the Bush administration wanted more than a containment policy toward Iran; they preferred to pursue a more aggressive foreign policy stance. They wanted regime change and an overthrow of the current government, even if it required the use of force. What held the neo-conservatives back from moving forward with a show of force was that others, within this circle, were not willing to commit the necessary resources for the use of force. Despite the unavailability of resources, the neo-conservatives were still absolutely committed to regime change in Iran. After the United States got involved in Afghanistan and Iraq, however, they realized that maintaining a three-front war would be over taxing with a front in Iraq, Iran and Afghanistan.<sup>93</sup>

The counter balance to the neo-conservative position in the early days of the Bush administration could be found in the State Department. The State Department, led by retired four-star General Collin Powell, wanted a more liberal foreign policy toward Iran. The Secretary of State’s “Statement in Celebration of Nowruz” in March of 2001, on the

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<sup>91</sup> “Dick Cheney, Iran and Halliburton,” [http://209.85.141.104/search?q=cache:e9VAO8GEn-kJ:lautenberg.senate.gov/documents/foreign/REPORT\\_Halliburton\\_Iran.pdf+John+ward+anderson+Iran+throwing+off+its+isolation+Washington+post&hl=en&ct=clnk&cd=1&gl=us](http://209.85.141.104/search?q=cache:e9VAO8GEn-kJ:lautenberg.senate.gov/documents/foreign/REPORT_Halliburton_Iran.pdf+John+ward+anderson+Iran+throwing+off+its+isolation+Washington+post&hl=en&ct=clnk&cd=1&gl=us) (accessed 5/27/2008); Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 343.

<sup>92</sup> “Dick Cheney, Iran and Halliburton,” Available from [http://209.85.141.104/search?q=cache:e9VAO8GEn-kJ:lautenberg.senate.gov/documents/foreign/REPORT\\_Halliburton\\_Iran.pdf+John+ward+anderson+Iran+throwing+off+its+isolation+Washington+post&hl=en&ct=clnk&cd=1&gl=us](http://209.85.141.104/search?q=cache:e9VAO8GEn-kJ:lautenberg.senate.gov/documents/foreign/REPORT_Halliburton_Iran.pdf+John+ward+anderson+Iran+throwing+off+its+isolation+Washington+post&hl=en&ct=clnk&cd=1&gl=us) (accessed 5/27/2008).

<sup>93</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 326–329.

occasion of the Iranian New Year, remarked that “this Nowruz heralds a year that will bring the Iranian people and the American people closer together.” This statement in itself could have been seen as an opening to Iran. Despite this simple and positive gesture by the State Department toward Iran, the Bush administration did nothing its first year with Iranian foreign policy until August when the Iran Libya Sanctions Act (ILSA) came before Congress for review.<sup>94</sup>

In August of 2001, with ILSA up for review, the State Department and certain members of Bush’s National Security Council found themselves in opposite camps. So, in an effort to mediate between the two camps the Bush administration settled on a compromise on the ILSA. There was also considerable legislative pressure from Congress to renew ILSA. The Bush administration initially renewed ILSA for an additional two years, but many in Congress, not feeling that was long enough, increased the sanctions for an additional five years. This act again, took U.S.-Iranian relations further into a downward turn after September 11, 2001.<sup>95</sup>

On the opposite side of the Bush administration and after September 11, 2001, many scholars and diplomats wondered if Iran would become a target in the War on Terrorism in which President Bush announced that “From this day forward, any nation that continues to harbor or support terrorism will be regarded by the United States as a hostile regime.” At first, Iran did not become a target of the Bush administration but actually became a pseudo-ally to the United States.<sup>96</sup>

An encouraging event in which positive incentives as an exchange were used by both the Iranians and the Americans came shortly after September 11, 2001. The Iranians were contacted by the United States through the Swiss. Through the Swiss, Iran was asked to join the War on Terrorism and help in the planning on the war in Afghanistan.

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<sup>94</sup> U. S. State Department. “Statement in celebration of Nowruz, the Iranian new year.” <http://www.state.gov/secretary/former/powell/remarks/2001/1425.htm> (accessed 4/8/2008).

<sup>95</sup> CNN.com, “U.S. worried about more al Qaeda attacks,” May 13, 2003. Available from <http://www.cnn.com/2003/WORLD/meast/05/13/saudi.blast/index.html> (accessed 5/27/2008).

<sup>96</sup> President declares “freedom at war with fear,” [cited 5/27/2008]. Available from <http://www.whitehouse.gov/news/releases/2001/09/20010920-8.html> (accessed 5/27/2008); Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 345.

In what can be seen as a classic exchange of positive incentives meeting each other's security needs, both countries agreed to cooperate on intelligence issues and planning with the Swiss as the intermediary. The genesis of this working group was formed out of a working group already established. Iran was so eager to help and delighted that the United States engaged them for assistance that they offered to conduct all of the war planning against the Taliban. Of course, this offer to conduct all of the war planning against the Taliban was not taken up because the United States did not want Iran to benefit too much in its position in regional affairs and the position of trust between the two states was not established.<sup>97</sup>

A United Nations sub-group was developed under the pre-existing "six-plus-two" talks to discuss the possibilities of military action in Afghanistan. This sub group was developed because Russia and Pakistan opposed a war in Afghanistan. The "Six plus Two" group<sup>98</sup> was comprised collectively of China, Iran, Pakistan, Tajikistan, Turkmenistan, Uzbekistan, the United States and Russia.<sup>99</sup>

The six-plus-two talks were originally developed to discuss the ongoing problem of drug trafficking from Afghanistan. These talks had begun in 1996 but had produced few results in curbing the drug trafficking problem from Afghanistan. The sub-group that formed out of the "Six plus Two" group then became known as the "Geneva Contact Group," even though they met in various cities throughout Europe.<sup>100</sup>

Following the terrorist attacks in New York after September 11, 2001, the "Six plus Two" group issued a "Declaration on the Situation in Afghanistan." In it, the group "pledged their continued support to efforts of the Afghan people to find a political

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<sup>97</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 345–349.

<sup>98</sup> The group was referred to as "six plus two" because all of the states except for the United States and Russia were border states to Afghanistan.

<sup>99</sup> "Six plus two" declaration on Afghanistan. Available from <http://www.un.org/News/dh/latest/afghan/sixplus.htm> (accessed 5/27/2008): 'Six plus two' group stresses need for broad-based Afghan government. Available from <http://www.un.org/apps/news/story.asp?NewsID=2116&Cr=Afghan&Cr1=> (accessed 5/27/2008).

<sup>100</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 345–349.

solution to the Afghan crisis, and they agreed that there should be the establishment in Afghanistan of a broad based multi-ethnic, politically balanced, freely chosen Afghan administration representative of their aspirations and at peace with its neighbors.” This declaration also stated that “they supported efforts of the international community to root out terrorism,” leaving a space for the Geneva Contact Group to carry on with their discussions.<sup>101</sup>

Another display of positive exchanges came during the opening days of Operation Enduring Freedom. The Iranians offered to open some of their ports and airfields to the United States if it wanted them for logistical purposes and to help in search and rescue efforts for downed pilots. Things were going so well between the Bush administration and the Khatami administration that the Majlis, dominated by liberals, voted to consider normalizing relations between Iran and the United States.<sup>102</sup>

When Operation Enduring Freedom ended, there was an optimistic air surrounding the possibility that relations could possibly begin to normalize between the United States and Iran. Both the United States and the Iranians greatly benefited from cooperating with each other. The Iranians were able to eliminate an ardent enemy that had been killing Shia throughout Afghanistan and the United States was able to use Iran’s diplomatic and human intelligence capabilities to help it destroy the Taliban in Afghanistan with little use of its military resources.<sup>103</sup>

The cooperation that had been exhibited between the two states could have been a good foundation to build upon for future endeavors in normalizing foreign relations. In a matter of a few months, the Bush administration had been able to move farther along with the Iranians than the Clinton administration had been able to do in two presidential terms.

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<sup>101</sup> ‘Six plus two’ group stresses need for broad-based Afghan government. Available from <http://www.un.org/apps/news/story.asp?NewsID=2116&Cr=Afghan&Cr1=> (accessed 5/27/2008): “Six plus two” declaration on Afghanistan. a [cited 5/27/2008]. Available from <http://www.un.org/News/dh/latest/afghan/sixplus.htm> (accessed 5/27/2008).

<sup>102</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict between Iran and America*. 1st ed. (New York: Random House, 2004), 345–349.

<sup>103</sup> Ibid.

The Bush administration failed, however, to capitalize on the advantage of its position and quickly became involved in its planning on going to war in Iraq against Saddam Hussein.<sup>104</sup>

## **B. THE EXTENT OF USE OF NEGATIVE INCENTIVES**

The biggest turn around point in Iranian and American relations came when President Bush gave his 2002 State of the Union address in which he named Iran along with North Korea and Iraq as being the “axis of evil” in the world. Although not seen as a negative incentive in itself, it was definitely looked upon as a negative gesture. The most significant reason why Iran had probably been named in this “axis of evil” is that Iran still appeared to be a sponsor of world terrorism through the Lebanese based Hezbollah and Palestinian based Hamas terrorist organizations. Three months before the State of Union address the Israeli Defense Force intercepted, boarded and diverted a ship bound for the Gaza Strip coast. This ship known as the *Karine A* was fully loaded with military weapons and explosives. All of the weapons and associated equipment had been purchased and loaded from Iran. Many of weapons bore the markings that they were made in Iran.<sup>105</sup>

President Bush’s speech was not well received by Iranian officials and the supreme religious leader Ayatollah Khomeini issued an immediate reply stating Iran’s displeasure at being implicated in the axis. Many American officials felt that Iran purposely released a well-known anti-Taliban leader into Afghanistan in order to disrupt ongoing nation building shortly after Iran’s implication as a part of the “axis of evil.” This was seen as a direct negative incentive on the part of Iran to Bush’s State of the Union address.<sup>106</sup>

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<sup>104</sup> Kenneth Pollack, *The Persian Puzzle: The Conflict between Iran and America*. 1st ed. (New York: Random House, 2004), 345–349.

<sup>105</sup> Robert Satloff, “Karine-A: The Strategic Implications of Iranian-Palestinian Collusion.” Available from <http://www.thewashingtoninstitute.org/print.php?template=C05&CID=1471> (accessed 5/27/2008); Kenneth Pollack, *The Persian Puzzle: The Conflict between Iran and America*. 1st ed. (New York: Random House, 2004), 351–352.

<sup>106</sup> Neil Macfarquhar, “A Nation Challenged: Iran; Bush's comments bolster old guard in Tehran,” *New York Times*, February 8, 2002, (accessed 5/27/2008); Kenneth Pollack, *The Persian Puzzle: The Conflict between Iran and America*. 1st ed. (New York: Random House, 2004), 509.

### **C. OPPORTUNITIES FOR USE OF POSITIVE INCENTIVES AND EXTENT TO WHICH THEY WERE USED**

A significant opportunity for the use of positive incentives was missed by the Bush administration in 2003. The administration was wrapping up major combat operations in Iraq when the final report on what has become known as the Riyadh Compound bombing of 2003 was published. The Riyadh Compound report delineated who was ultimately responsible for the terrorist attack in Saudi Arabia: Al-Qaeda.

Al-Qaeda terrorists detonated vehicle-borne explosive devices inside three separate compounds that housed American and European expatriates. Thirty-five Westerners were killed and over a hundred were wounded. The terrorists' preplanning phone calls were directly linked back to eastern regions of Iran where it was suspected that Al-Qaeda members had fled when the United States ousted the Taliban from Afghanistan. The United States asked the Iranians to capture and turnover the Al-Qaeda terrorists but offered nothing in exchange for the Al-Qaeda terrorists. Iran came back with an offer to exchange the Al-Qaeda terrorists in Iran for the Mojahedin-e-Khalq (MEK) terrorists in Iraq. This offer of exchange set off internal debates in the Bush administration between those that favored a more liberal engagement policy in the State Department and the neo-conservatives in the executive branch wanting regime change. It is speculated that the neo-conservatives were hoping to use the MEK in a possible future conflict against Iran. All in all the internal debate became bogged down and eventually the United States declined Iran's offer of exchange.<sup>107</sup>

What is difficult to understand about this possible exchange of terrorists is that the Bush administration, with its determined drive on the Global War on Terrorism, did not want to move forward with Iran concerning an exchange of MEK members for Al-Qaeda members. The United States State Department currently lists both MEK and Al-Qaeda as

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<sup>107</sup>Massoud Khodabandeh, "The Disintegration of Mojahedin-E Khalq in Post-Saddam Iraq," *Terrorism Monitor* 3, (1/27/2005), [http://www.jamestown.org/publications\\_details.php?volume\\_id=411&issue\\_id=3213&article\\_id=2369165](http://www.jamestown.org/publications_details.php?volume_id=411&issue_id=3213&article_id=2369165) (accessed 5/27/2008); CNN.com, "U.S. worried about more al Qaeda attacks," May. 13, 2003. Available from <http://www.cnn.com/2003/WORLD/meast/05/13/saudi.blast/index.html> (accessed 5/27/2008); Kenneth Pollack, *The Persian Puzzle: The Conflict Between Iran and America*. 1st ed. (New York: Random House, 2004), 358–361.



a Foreign Terrorist Organization (FTO).<sup>108</sup> It is seen by many in the international community that the United States is providing a “safe haven” for the MEK in Iraq, even though the United States military has disarmed this group. The MEK live in their compound in the east part of Iraq.<sup>109</sup> In accordance with the State Department’s summary of the legal ramifications of designation as a FTO,

It is unlawful for a person in the United States or subject to the jurisdiction of the United States to knowingly provide “material support or resources” to a designated FTO. (The term “material support or resources” is defined in 18 U.S.C. § 2339A(b)(1) as “any property, tangible or intangible, or service, including currency or monetary instruments or financial securities, financial services, lodging, training, expert advice or assistance, safehouses, false documentation or identification, communications equipment, facilities, weapons, lethal substances, explosives, personnel (1 or more individuals who may be or include oneself), and transportation, except medicine or religious materials.” 18 U.S.C. § 2339A(b) (2) provides that for these purposes “the term ‘training’ means instruction or teaching designed to impart a specific skill, as opposed to general knowledge.” 18 U.S.C. § 2339A(b) (3) further provides that for these purposes the term ‘expert advice or assistance’ means advice or assistance derived from scientific, technical or other specialized knowledge.<sup>110</sup>

One can not help but wonder why the United States may be protecting a group it classifies as terrorists in Iraq. It has been speculated that the United States received intelligence about Iran’s nuclear weapons development from the MEK, and that this is the reason we are not disbanding this terrorist organization. It is implied that a plea bargain of sorts was made with the MEK. An in-depth review of the relationship between the MEK and the United States is beyond the scope of this thesis but brings up many questions as to the relationship of the United States and that of the MEK with Iran.

It can be concluded that the Bush administration had an excellent opportunity to alter, if not reverse, the course of sanctions and the use of a containment policy toward

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<sup>108</sup> Foreign terrorist organizations. Available from <http://www.state.gov/s/ct/rls/other/des/123085.htm> (accessed 5/29/2008).

<sup>109</sup> Many in Iraq, including U.S. allies, such as the Supreme Council MPs, say that the U.S. is harboring terrorists in Iraq and not holding the MEK accountable for the terrorist acts they have committed.

<sup>110</sup> Foreign terrorist organizations. Available from <http://www.state.gov/s/ct/rls/other/des/123085.htm> (accessed 5/29/2008).

Iran with the outbreak of the War on Global Terrorism, but that they failed to recognize the unique opportunities they had developed with the administration's focus with the ongoing war in Iraq and then the stabilization of the new Iraqi government. If the Bush administration could have recognized its opportunities with Iran, it could have developed an amicable *détente* with this thirty-year-old foe and the pragmatic Khatami administration. The strong position that the neoconservatives held as presidential advisors strongly diverted attention from other viable aspects of Middle East foreign policy.

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## V. PRESIDENT BUSH AND THE AHMADINEJAD GOVERNMENT

President Khatami knew his days as president were numbered, as well as that of the other pragmatists in Iran. This was because of Khatami administration's limited ability to actually change the course of economic events in Iran and Iran's foreign policy. The possibilities of Iranian rapprochement with the west, specifically the United States, became limited when the Guardian Council in 2004 disqualified the majority of pragmatists running for seats in the Majlis because they did not adhere closely enough to the tenets of the 1979 revolution. It was also limited, primarily, because President Khatami was in his second term of office, which is limited by the Iranian Constitution. The conservatives in control of the Guardian Council rigged the upcoming election not only through false voting but by limiting the presidential candidates to those conservatives who could pass Guardian Council review—in other words those candidates that were either clerics with 1979 revolutionary vigor or to those that had strong ties to Iran's revolutionary framework.<sup>111</sup> Simply put, the days of the pragmatists were over and a new era of conservatism was about to be ushered throughout Iran. The conservatives would now be in charge of the majority of seats in both Iran and in the United States.<sup>112</sup>

In the United States, President Bush was in his second term of office and was deeply involved with the Al-Qaeda insurgency in Iraq when elections were being held in Iran. Most people in the international community thought that former Iranian President Rafsanjani would be reelected again, since he held strong reins of influence and power throughout Iran. This was not to be the case. A newcomer to the presidential election came to light when the Guardian Council eliminated nearly all of the pragmatists from running and only a little more than a hand full of conservative candidates were permitted to run in the 2005 presidential election.

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<sup>111</sup> This is not unusual in Iranian politics. Rigged elections in Iran have been occurring for over a hundred years.

<sup>112</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 206–215.

One of those candidates was the former Mayor of Tehran named Mahmoud Ahmadinejad. Ahmadinejad was a former revolutionary guard member who had risen up through the ranks of the 1979 revolution. Educated at Tehran University he attained a doctoral degree in engineering. There was no doubt, based on his conservative résumé, Ahmadinejad would be a suitable candidate and would be approved by the Guardian Council to run as a candidate in the presidential election. The Guardian Council also presumed that he would not be the most likely successor to Khatami, since he was not well known to greater Iran because of his time in the Revolutionary Guard and as the Mayor of Tehran. This presumption would be a major miscalculation for the Guardian Council.<sup>113</sup> In the end, after a second election run off for the presidency, Mahmoud Ahmadinejad became the next President of Iran to succeed President Khatami primarily because he was the new guy on the ballot with many Iranians seeing him as the lesser evil among the other candidates.<sup>114</sup>

Many Westerners in international relations thought immediately that relations between the United States and Iran would take a sharp turn downward because both administrations had hardliners in their executive office and that the decades of the 1980s and the early to mid-1990s would yet again be overshadowed by antagonistic policies of containment. A zero sum game of foreign affairs would dominate the relations between the United States and Iran. Engagement and the use of positive incentives would become a strategy of the past. This seemed to become plainly apparent almost as soon as Ahmadinejad took office and because President Bush made his now widely quoted State of the Union address in 2002.<sup>115</sup>

A key point that shifted the public opinion of many Iranians in the years leading up to the 2005 presidential election concerning the United States was after President Bush labeled Iran as a member of the “Axis of Evil” along with North Korea and Iraq in his 2002 State of the Union address. He basically called for regime change; many

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<sup>113</sup> The majority of Iranians since the days of the Shah and especially after the revolution had begun to migrate toward the major cities like Tehran to look for work.

<sup>114</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 225–228.

<sup>115</sup> *Ibid.*, 229–231.

Iranians became outraged again with the United States labeling it as a state of evil.<sup>116</sup> Two years later, this perception appeared to be still present with Iran's election of an outspoken revolutionary minded conservative. President Ahmadinejad was elected in 2005 with little to no international relations experience. He began a robust foreign policy of non-negotiations with the West, specifically with the United States. If the United States wanted to be confrontational in its approaches with Iran either verbally or through action, Iran would be just as confrontational. In Mahmoud Ahmadinejad's mind, the West only understood an Iranian position of strength. If the West did not want to discuss compromises or incentives from an Iranian position of strength, then Iran would be content with nothing. The Islamic Republic had survived without dispensation by the West or incentives from the West in the past thirty years, and it would be able to do so in the future. Many hardliners saw Ahmadinejad's position as a return to the "glory days of the revolution" where the faithful would be called to prayer and chant "Death to America!" Any criticism from the international community or more specifically from the United States would only reaffirm the conservatives in their beliefs.<sup>117</sup>

It is in these early days after Ahmadinejad's election that Samuel Huntington's long held thesis on the "Clash of Civilizations" would be also be reaffirmed in a more modern context between the United States and Iran.

#### **A. U. S. INTERNAL POLITICAL DEBATE**

In President Bush's second term, there was little evidence of any internal debates over how to deal with Iran. The Bush State Department after Colin Powell resigned had not offered publicly any opposing views. A major concern for American foreign policy specialists was how to approach the presidential administration in Iran, or if the United States should approach Iran at all. Typically, in recent memory, the standard response to a new confrontational and conservative administration would be that of the use of negative incentives and sanctions. It appeared Iran would receive the same foreign policy

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<sup>116</sup> President delivers state of the union address. Available from <http://www.whitehouse.gov/news/releases/2002/01/print/20020129-11.html> (accessed 4/16/2008).

<sup>117</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 229–232.

response, but a foreign policy posture based on negative incentives would be what the Ahmadinejad administration was looking for, in order to justify their own foreign policy position toward the United States and the West. The United States referral of Iran's nuclear activities to the United Nations Security Council would just give the Iranian conservatives in power justification they would need to harbor their long standing position of Western abuse of Iran.<sup>118</sup>

## **B. OPPORTUNITIES FOR THE USE OF POSITIVE INCENTIVES AND THE EXTENT TO WHICH THEY WERE USED**

The use of positive incentives by the United States with Iran between the Bush administration and the Ahmadinejad administration was almost non-existent. Diminishing this even further was the view of Iran's younger generation and this generation's coming of age in Iranian politics. Many of these young Iranians would not have the same memories older generations would have of the Shah and his secret police, the SAVAK, nor would they remember the revolution of 1979. What would be ingrained in their memories would be the Iran-Iraq war where thousands of their childhood friends would be remembered as martyrs fending off the Saddam Hussein's army on their country's borders. This young generation of Iranians debated in their universities how the international community, especially the west, turned their back on them when Saddam used weapons of mass destruction on innocent civilians and SCUD missiles would fly into their capitol of Tehran.

The formative political years of their youth would drive them toward what Ray Takeyh describes as an obsession with "self-reliance." This self reliance taught them that "Iran's interest cannot be safeguarded by adhering to international treaties or appealing to Western opinion."<sup>119</sup> The use of positive incentives by the Bush administration was difficult at best with Muhammad Ahmadinejad and his closest advisors because they grew up in the aforementioned generation and studied at Tehran University with its

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<sup>118</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 228–232.

<sup>119</sup> Ray Takeyh, "Time for Détente With Iran." *Foreign Affairs* (March/April 2007): <http://www.foreignaffairs.org/200070301faessay86202/ray-takeyh/time-for-detente-with-iran>.

weekly fiery clerical sermons throughout the last thirty years. Many of Ahmadinejad's colleagues and comrades in the Revolutionary Guard would grow up knowing and referring to the United States as the "Great Satan," a state that bullies smaller states into submission using its strong imperial and capitalist powers to devour other states of their natural resources.<sup>120</sup>

Self reliance would be how Iran would establish itself in this new post Cold War order dominated by a sole supreme super power. A great symbol of their self reliance in this new world order would be the development of a nuclear energy program. Nuclear energy would become a rallying point for many Iranians and unite them as a symbol of Iranian nationalism. Of course, once they had developed a capability to use nuclear energy their next natural step would be for them to develop nuclear weapons and join the exclusive Middle East nuclear weapons club of which Pakistan and Israel are the sole members. For Iranians, this would even out the status quo in that this club would be comprised of a Jewish state, a Sunni state and a Shia state. Many in Ahmadinejad's inner circle believe that negative incentives imposed upon Iran by the west for developing their own nuclear capability would be worth the sacrifices and suffering they would have to endure to be a part of this exclusive club.<sup>121</sup>

A key point in their suffering through these times that needs to be kept in mind is that of the Shia idea that they have always been the persecuted Muslims starting back to the succession of Imam Husayn. This idea of their centuries old suffering allows them as a people to harness internal spiritual strength as a religious passion of atonement to help them endure hard times. Imam Husayn and the other Twelver Imams were persecuted throughout the ages, as well as their followers. Centuries of Sunni Muslims looked upon the Shia as heretics and, therefore, believed they should be persecuted for their beliefs. It is this idea, Shia are heretics, that has permeated itself throughout the ages. The Taliban (Sunni) in Afghanistan have killed Shia in the north western territories of Afghanistan because they are viewed as heretics. Shia are the minority within Islam and, therefore,

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<sup>120</sup> Ray Takeyh, "Time for Détente With Iran." *Foreign Affairs* (March/April 2007): <http://www.foreignaffairs.org/200070301faessay86202/ray-takeyh/time-for-detente-with-iran>.

<sup>121</sup> Ibid.



are looked at and feel at the very least discriminated against. If Iran was able to develop nuclear energy, or eventually a nuclear weapon, they would in their mind no longer feel like they were in the minority because now they would be a nuclear power.

During Bush's second term in office, there was a shift in ideas over Iran's development of nuclear energy and that of enriching uranium in Iran. After meeting with other European countries in the winter of 2005, he announced that the United States would support France, Germany and Great Britain, also known as the "EU-3," in their negotiation of Iranian development of enriched uranium as long as certain conditions were agreed upon. This announcement also conveyed that the United States would offer positive incentives to the EU-3 deal with some low hanging fruit for the Iranians to pick off, spare parts for their ageing civilian airline fleet. The Bush administration additionally would support Iran's bid for acceptance into the World Trade Organization (WTO). This change in policy was a tremendous and positive step in the right direction with the United States possibly reestablishing diplomatic relations with Iran. Iran had been trying to get into the WTO for years only to be vetoed by the United States.<sup>122</sup>

Additionally, during President Bush's 2006 State of Union address, his tone concerning former countries labeled as the "axis of evil" changed to a more positive nature in that the "United States would 'continue to rally the world'" in confronting Iran in their development of nuclear energy and uranium enrichment. He also directly spoke to the citizens of Iran in his address.

America respects you and we respect your country. We respect your right to choose your own future and win your own freedom. And our nation hopes one day to be the closest of friends with a free and democratic Iran.<sup>123</sup>

This tone set by his State of the Union address was significantly reduced from that of his State of the Unions address four years earlier. There were defiantly possibilities for a change in relations between the United States and Iran and notional offerings by the

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<sup>122</sup> Philip H. Gordon, "The End of the Bush Revolution." *Foreign Affairs* 85, no. 4 (2006): 75–86.

<sup>123</sup> President delivers state of the union address. Available from <http://www.whitehouse.gov/news/releases/2006/01/print/20060129-11.html> (accessed 4/16/2008).

United States of positive incentives. These notional positive incentives appeared to only be just that, notional, for it appears that negative incentives would overcome or would always come back to the negotiating table.<sup>124</sup>

### **C. THE EXTENT OF USE OF NEGATIVE INCENTIVES**

With negative incentives appearing to be the *modus operandi* for the Bush State Department, many foreign policy advisors still recommended that the West use positive incentives. Specifically, it was recommended that positive incentives be used by the United States in one-on-one negotiations with Iran. Others in Bush's administration thought that the use of the positive incentives with the Ahmadinejad's administration would simply be rebuffed by the Iranians; rebuffed because Iranians were tired of trying to deal with the West. An additional thought was positive engagement by the United States with Iran would require massive American concessions and an official apology for past indiscretions. Many Americans would not be willing to apologize to the Iranians because of all the terrorist acts they committed against the west headed by the 1979 hostage crisis. Another idea that resonated in many American's minds was that Iran continued to demonstrate their support for terrorist organizations throughout the turn of the millennium, shipping arms to both the Hezbollah in Lebanon and the Hamas in Palestine. Thus, United States foreign policy would continue the use of negative incentives during the Bush's second administration with the Ahmadinejad administration.<sup>125</sup>

The renewed Iranian hard-line position ushered in by Ahmadinejad would weather out any negative incentives brought on by the United States because oil prices were high, allowing for Iranians to be more self reliant. Iran had endured over the last three decades of negative incentives, it could continue to endure. Outside influence would only "pollute the purity of the revolution and the perfection of the nation."<sup>126</sup>

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<sup>124</sup> President delivers state of the union address. Available from <http://www.whitehouse.gov/news/releases/2006/01/print/20060129-11.html> (accessed 4/16/2008), 82.

<sup>125</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 232.

<sup>126</sup> *Ibid.*, 231.

Iran's development of nuclear energy and possibly of a nuclear weapon has galvanized an active coalition of Western states to at least condemn Iran for not being forthright in its disclosures to the International Atomic Energy Agency (IAEA). Specifically, they criticized Iran's nondisclosure of its intent to enrich uranium.

Bush's second administration threatened to use negative incentives against Iran when they threatened to pull out of the "EU-3" nuclear energy negotiations. The Bush administration wanted to take Iran to the United Nations Security Council and file a security resolution against Iran because Iran was threatening to pull out of the "EU-3" negotiation. This thinly veiled threat led many within Europe to wonder if the United States was sincere in its offer in the winter of 2005 of supporting the EU-3's diplomatic effort. The United States then of course changed its position giving mixed signals to the world community as to what its intentions were in the late summer of 2006 wanting to specifically open direct talks with Iran on Iraq. It was felt that the United States did this in part because in the Security Council, Russia refused to impose a restriction on Iran any stronger than a "presidential statement" against Iran concerning their nuclear issue.<sup>127</sup>

In 2008, the rhetoric used by the Bush administration was once again sending mixed signals that appeared to be negative. Vice President Dick Cheney was quoted stating on the deck of the aircraft carrier USS John C Stennis steaming in the Persian Gulf that the United States will "stand with our friends in opposing extremism and strategic threats," and "continue bringing relief to those who suffer, and delivering justice to the enemies of freedom. And we'll stand with others to prevent Iran from gaining nuclear weapons and dominating this region."<sup>128</sup>

Another use of negative incentives that the Bush administration used in an associative way was that of a \$20 billion dollar arms deal with Saudi Arabia and other states of the Gulf Cooperative Council (GCC). By increasing the military surplus of Iran's neighboring states, the United States makes Iran feel less secure. All of these

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<sup>127</sup> Philip H. Gordon, "The End of the Bush Revolution." *Foreign Affairs* 85, no. 4 (2006): 75–86.

<sup>128</sup> Vali Nasr and Ray Takeyh. "The Costs of Containing Iran; Washington's Misguided New Middle East Policy." *Foreign Affairs* (January/February 2008) <http://www.foreignaffairs.org/articles/63048/vali-nasr-and-ray-takeyh/the-costs-of-containing-iran>.

negative incentives are tied into the United States standard policy of Containment. According to Vali Nasr and Ray Takeyh of the Council of Foreign Relations, the Bush administration thought that “containing Iran is the solution to the Middle East’s various problems.”<sup>129</sup>

Post-2003 invasion, Iraq became a new line in the sand between the United States and Iran in that Iran is highly supportive of the Shia dominated Iraqi government and the United States is also a strong supporter of the Iraqi government. Saudi Arabia, on the other side, is not as enthusiastic about the new Shia dominated government in Iraq nor are the other Sunni Arab states. These Sunni states obviously do not want to see an Iraq governed by the Shia majority. Since the United States and Iran want Iraq to succeed as a free and democratic state, it would stand to reason that they would work together toward an independent Iraq; working together toward the reconstruction of the Iraqi state. But, in reality, almost the opposite state of affairs existed between the United States and Iran during the Bush-Ahmadinejad administrations. United States military intelligence reports state that elements of the Iranian Quds forces have been providing explosive shaped charges to be used in Iraq by various Shia extremist to include those forces of the Mahdi Army in the eastern part of Baghdad. This led the United States to issue more negative incentives against Iran when the Bush administration “officially designated the Iranian Revolutionary Guard as weapons of mass destruction proliferators and their Quds Army as terrorist supporters’ terrorist organization.”<sup>130</sup>

Again, the Bush administration sent further mixed signals with the funding of a \$75 million dollar anti-Iranian regime program with the main premise of regime change. Finally, in the United Nations, the Bush administration was able to successfully garner support for a series of informal financial negative incentives all but eliminating Iran out of the world’s markets.<sup>131</sup>

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<sup>129</sup> Vali Nasr, and Ray Takeyh. “The Costs of Containing Iran; Washington’s Misguided New Middle East Policy.” *Foreign Affairs* (January/February 2008) <http://www.foreignaffairs.org/articles/63048/vali-nasr-and-ray-takeyh/the-costs-of-containing-iran>.

<sup>130</sup> Ibid.

<sup>131</sup> Ibid.

As Bush's second term progressed, the nuclear issue became the primary source of friction in U.S.-Iran relations. The IAEA's position concerning Iran as of November 2008 is that they are unable to confirm Iran is developing a peaceful nuclear program because of Iran's failure to implement the additional protocols and "transparency measures" at some of Iran's declared nuclear sites. The IAEA believes that Iran has not suspended enrichment related activities or its work on "heavy water-related projects." Even though Iran is a signatory to the Non-Proliferation Treaty (NPT) concerning the development of nuclear weapons, it is permitted under the treaty to pursue the development of nuclear energy. Many in the international community feel that since Iran is not implementing the additional protocols issued by the IAEA, then Iran could be using processed uranium to develop nuclear weapons.<sup>132</sup>

The use of positive incentives over that of negative incentives by the Bush administration during the Ahmadinejad administration was minimal at best and can be seen primarily as token gestures of diplomacy. It can be concluded that the pessimistic underlying tone set after the election of President Ahmadinejad by the Bush Administration indicated that American foreign policy would maintain a policy of containment using negative incentives. What is interesting is that opportunities for rapprochement were possible during this time, but due to each state's enduring resentment for each other, neither could get past the bad history that bound each to continue the hostile relations developed over the previous decades of distrust.

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<sup>132</sup> Philip H. Gordon, "The End of the Bush Revolution." *Foreign Affairs* 85, no. 4 (2006): 75–86.

## VI. CONCLUSIONS

Negative incentives have been used by the United States primarily to bring about change in the Islamic Republic and to date they have not succeeded. This is because of the change in the world order. No longer is the world polarized between the west and the east. The fall of the former Soviet Union has led to a more globalized world. The United States no longer has the far reaching influence it did during the Cold War to rally its allies under its umbrella. It is because of this globalized world the United States has been unsuccessful in its use of unilateral sanctions against Iran.<sup>133</sup>

Iran's theocracy has been able to get its people to draw from the inner religious beliefs of Shia Islam and its view that they are the persecuted ones. In doing so, it has, at least until recently, been able to get the people of Iran to endure hardships that most people in another state would not be able to tolerate.<sup>134</sup>

The use of positive incentives can be seen in the years shortly after Operation Enduring Freedom commenced, when Iran approached the United States during the Geneva talks to assist the American military campaign in Afghanistan. Later, during the final planning stages of Operation Iraqi Freedom, Iran assisted with the Shia minorities in Iraq, ensuring that the Shia would initially cooperate with the interim new Iraqi government. It was during these times, 2003–2004, that the United States had within its power the ability to reverse three decades of obstinate behavior on both sides. The Khatami administration was in power and was willing to work with the Bush administration. Each state benefited in security cooperation.

Additionally, the United States potentially had much to gain in reestablishing diplomatic relations with Iran. The United States could have developed a form of détente in which relations between Iran, the United States and other states bordering the Arabian

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<sup>133</sup> "Letter from Washington: The next world order," *The New Yorker*. Available from [http://www.newyorker.com/archive/2002/04/01/020401fa\\_FACT1?currentPage=2](http://www.newyorker.com/archive/2002/04/01/020401fa_FACT1?currentPage=2) (accessed 5/27/2008).

<sup>134</sup> Ali M. Ansari, *Confronting Iran: The Failure of American Foreign Policy and the Next Great Crisis in the Middle East*. (New York: Basic Books, 2006), 108–112.

Sea could have less tension along maritime boundaries or establish a means of communicating maritime disagreements. This is something that has been a revolving issue for the last thirty years.

The positive incentives that Iran could have received would be the same as those of the United States; in addition, members of the European Union would have been able to implement additional positive incentives long sought to further trade among all interested states. These positive incentives received from the European Union might have included technological transfers further enhancing Iran's economic situation. Secondly, Iran could have appealed to the United States to begin to reduce the restrictions from the various unilateral negative incentives issued over the past thirty years. In doing so, this would further allow for other states to feel unfettered in their abilities to develop a market under utilized since the Iranian Revolution.

Both the United States and Iran discovered that they could fulfill each other's security needs during the initial stages of Operation Enduring Freedom with cooperation on intelligence. In doing this, Iran was able to inform the United States with valuable cultural intelligence information so that the Taliban could be eliminated from harboring terrorist organizations. The benefit received by the Iranians is that the United States was able to destroy a regime that was clearly hostile to Iran and the Muslim Shia faith. Once Iraqi Freedom commenced, the United States eliminated another regime that bordered Iran leaving all of Iran's borders free of regional rivalries. This created a power vacuum leaving Iran the primary regional power with the United States being Iran's only counter balance.

Iranian gains in the reestablishment of diplomatic relations would in the long term allow them to actually realize their long-term regional goal of being a regional power in the Middle East. This would be easily developed through the ability of Iran to import technologies from around the world that they have not been able to do since the Iranian revolution because of the various unilateral and multilateral sanctions. Finally, in being able to reestablish diplomatic relations with the United States, Iran would be able to recover those assets that were seized by the United States just after the Iranian Hostage Crisis.

Iran gained a great deal in the elimination of two significant enemies on either side of their country. Iran has been able to focus and concentrate on other issues like that of its nuclear energy program and extending its influence back into the Middle East. Vali Nasr sees this as a period of “Shia revival,” where after years of oppression by its Sunni Muslim brothers, Iran can now take a greater place in Middle Eastern affairs.<sup>135</sup>

The United States has primarily imposed negative incentives on Iran for almost three decades starting with listing Iran on a list of countries that sponsor terrorism shortly after the “Iranian Hostage Crisis” of 1979. The United States has sought to have other states in the international community unite in its efforts to demoralize Iran economically into diplomatic submission to the international community with little or no success. The use of sanctions as the United States primary negative incentive by successive American Presidential administrations has been marginally effective because other states are not supporting these sanctions. Positive incentives no matter how small have been a tool of statecraft also used by the Clinton and Bush administrations. These positive incentives have had the desired effect they sought when properly used in cooperation with Iran and could be looked at as basic models for the current Obama administration. The prospects for the use of positive incentives, along with the judicious use of some negative incentives if Iran were to defect to a zero sum game, are still a realistic means of getting Iran to be a contributor to the international community instead of being looked at as a state supporting terrorism.

A key example that can be used in seeing the balance of negative incentives with that of positive incentives is when Europe stopped Iran from assassinating Iranian dissidents in European countries and supporting various terrorist activities in the Middle East. European countries began to close their embassies in Iran and impose trade embargos against Iran after finding an Iranian intelligence agent guilty in a German court of law in 1997 for the murder of Kurdish expatriates from Iran.<sup>136</sup>

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<sup>135</sup> Vali Nasr, “The Shia Revival,” *Military Review* 87, (3) (May/Jun 2007): 9, <http://proquest.umi.com/pqdweb?did=1288673351&Fmt=7&clientId=65345&RQT=309&VName=PQD>.

<sup>136</sup> Ray Takeyh, “Time for Détente With Iran,” *Foreign Affairs* (March/April 2007): <http://www.foreignaffairs.org/200070301faessay86202/ray-takeyh/time-for-detente-with-iran>.



When the United States and Iran cooperated with each other and used various positive incentives to encourage each other in a mutual direction, they were able to reap great benefits. A great example of this cooperation is with the state of Afghanistan during the initial stages of Operation Enduring Freedom. The United States was able to rid Afghanistan of Taliban control with the assistance of Iranian regional influence and Iran was able to rid itself of a hostile state that sat on its eastern border.

The 2009 election of the Obama administration demonstrates that the American people are looking for change in the way they do business both domestically and internationally. When Barrack Obama was inaugurated, it appeared that his incoming administration would be more amenable to using positive incentives toward Iran. Additionally, there was a lot of hope with the upcoming Iranian elections in the summer of 2009 in Iran that with the neo-conservatives out in the United States, the hardliners in Iran would also find their way out of office. This was not to pass because of what is reported as delegate rigging and false voter ballots in the Iranian presidential elections.

The recent September 2009 revelation that Iran has a secret uranium enrichment facility located deep inside a mountain of a Revolutionary Guard base appears to have diminished significantly the possibilities of the Obama administration to use positive incentives. It can be reasoned that now is not the time to solely use positive incentives toward Iran until the current powers to be in Iran learn to cooperate better with the world establishment on the issue of nuclear energy and uranium enrichment. The door to Iranian and American engagement is not as open as it was when Khatami and the pragmatists were in power, but it is still open slightly for a unique possibility, transparency. Iran needs to be more upfront and transparent in its development of nuclear energy, so as to stave off the possibility of further nuclear proliferation. In doing such, they will open the door for other states to offer them the positive incentives from which they can benefit.

Clausewitz is known for his discussions of the “centers of gravity” in a war and that for a state to conquer another state they need to understand each other’s centers of gravity. The United States’ primary center of gravity is the Middle East peace process and has always been the Arab-Israeli Peace Process since Israel’s inception in 1948. Since the creation of an Israeli state, only a couple of Arab states have accepted their

right to exist in the Middle East solely as a Jewish state. This acceptance by those Arab states has come at a high monetary cost to the United States, as can be seen with the amount of state subsidies to Egypt and Jordan with both states receiving the highest subsidies in the world from the United States, outside of Israel itself.

The ancient door to the Middle East has remained one of the most unstable regions in the world, and as mentioned in the introduction, the stability of this region hinges on Iran and the ability of the United States and the other Western powers to reinforce and support the door frame that hinge pivots on. The use of positive incentives alone to bolster that door was unsuccessfully attempted by the European Union. The use of negative incentives predominantly by the United States is equally unsuccessful. The countries of the West need to work together toward mutual interest in the Middle East. If the world wants to see a stable Persian Gulf and peace between Israel and the Palestinians, Iran will need to become an influential player in that process. The stabilization of the Middle East door is only possible through engagement utilizing a tactful mix of positive and negative incentives. Doing so will open the door securely to democratic reforms of government and open markets.

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